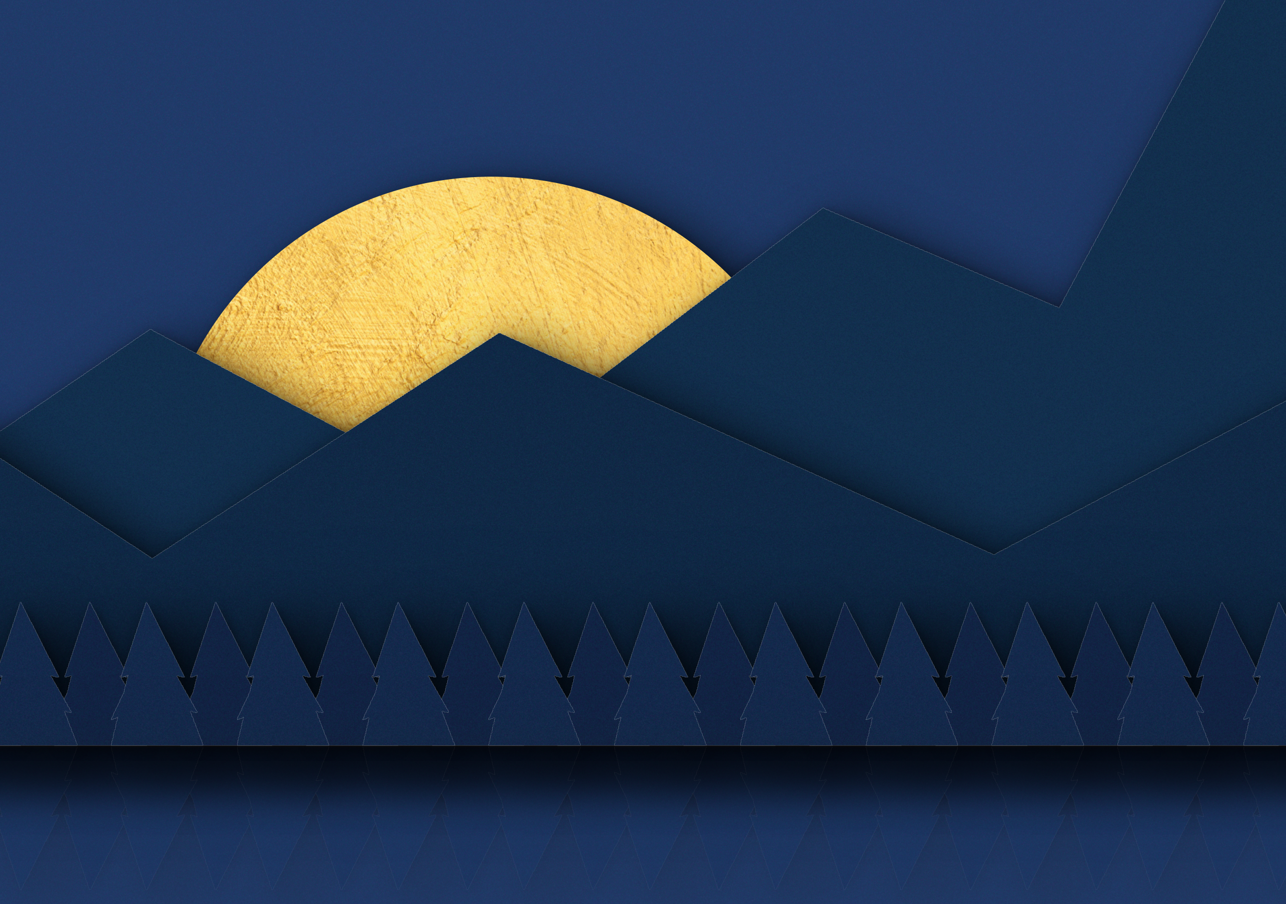
Better Be Responsible

The Impact of Social Ratings on Bringing About Change in Organisations



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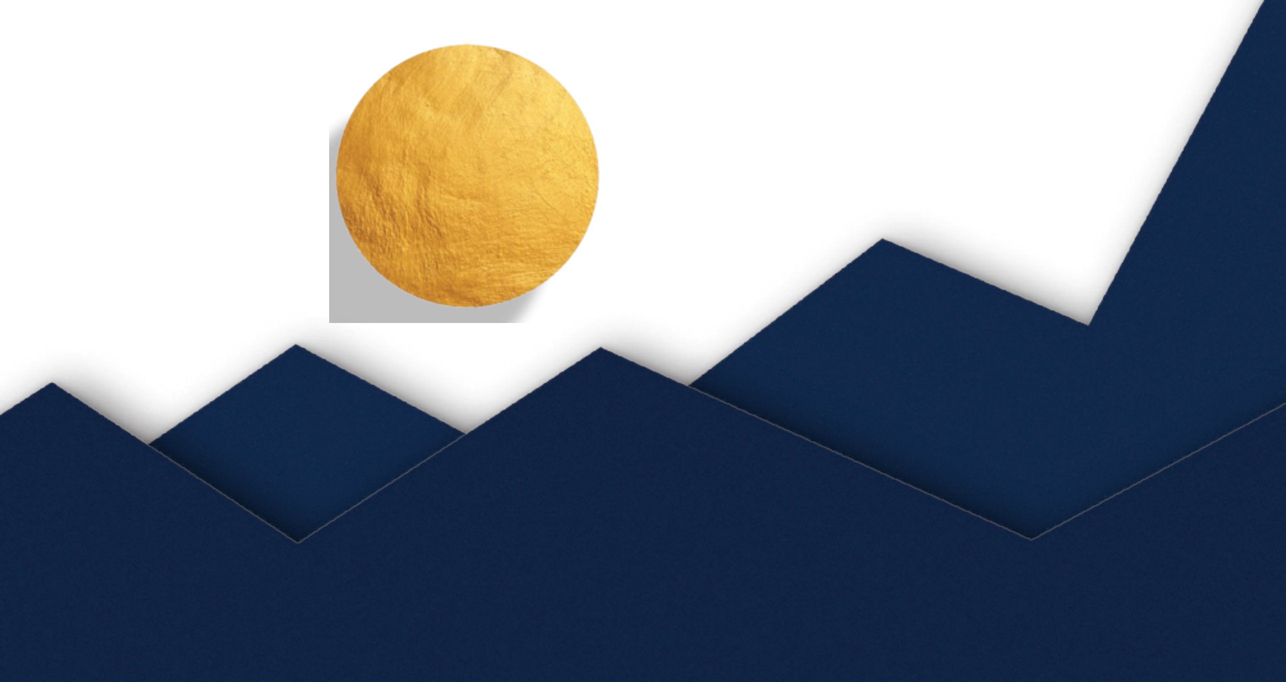

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THE IMPACT OF SOCIAL RATINGS ON BRINGING ABOUT CHANGE IN ORGANISATIONS

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The Impact of Social Ratings on Bringing About Change in Organisations

Doctoral Thesis

to obtain the degree of doctor of philosophy
from Radboud University Nijmegen
on the authority of the Rector Magnificus Prof. dr. J.H.J.M. van Krieken
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by

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To my husband

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Preamble

May I concede that the centrality of the telecommunications industry in this PhD thesis, although not determinant for its findings, is not incidental? I received my first cell phone in 1999 - a Motorola International 3200 - and was immediately fascinated by how this heavy but portable device was able to expand my way of communicating with customers, friends and family locally, nationally and internationally. Determined to embrace modernity, I changed mobile phones many times: a light Nokia handset with a small digital display, a flip phone with a larger display, a Blackberry with the first mobile e-mails, and an iPhone offering a camera, near-field communication, and mobile apps, to name a few. Smartphones are allowing us not only to communicate but also to learn, orient ourselves, read the news online, shine a light in the dark and wake up whenever we have to. The rapid development of the telecommunications industry over the last decades has transformed our lives and, with the introduction of new technologies such as the 5G, the internet of things, data-driven technologies and blockchain, will continue to do so for the foreseeable future. What a wonderful world! Indeed, being able to communicate freely in most parts of the globe is a major human accomplishment.

When I joined the social rating agency oekom research AG in 2009, I was introduced to a range of new perspectives on firms' behaviour as regards social and environmental issues. There, my fascination for the telecommunications industry increased in a much different way. By way of comparison to the oil & gas or the metals & mining industries, telecoms was a clean industry. Yet, on the social front, telecom operators were facing numerous human rights challenges, including poor labour practices, the use of 'conflict minerals' from the Great Lakes Region, child pornography, censorship, surveillance and data protection. In addition, mobile internet traffic was increasing exponentially but the digital divide, that is the gap between those who have access and knowledge on how to use the technology and those who do not, persisted. Thus, the benefits of this rapid technological development in the telecommunications industry, or the lack thereof, has had a profound and quite uneven impact on our lives.

Animated by my natural intellectual curiosity, I quickly asked my Research Team leader at oekom research AG to be put in charge of the analysis, assessment and rating of the companies of the telecommunications sector. I was given this responsibility a couple of months after having been promoted to the position of ESG Analyst.

After almost five stimulating years as an analyst, where I learned so much on the many challenges that our society continuously faces, my mind was asking for more in-depth, theoretical investigations. In tribute to numerous readings and thought-provoking exchanges with colleagues and CSR specialists, my understanding of the complex and multi-faceted interactions between companies, investors and their proxies had grown. I wanted to grasp the deeper meaning of my day-to-day work and interpret it with tools more in line with my intellectual quest. Serendipity then accounted for the rest.

It was an unexpected invitation extended to me by Prof. dr. Jan Jonker to apply for a part-time PhD position at the Institute for Management Research at Radboud University, which led me to this 'theoretical turn' in my career. Prof. dr. Kristina Lauche then accompanied my decision to 'switch sides' and make a scholarly contribution to the very real question whether and how social ratings can trigger change in business organisations and in society at large. Now that I had a precise research question, I needed the essential academic knowledge to frame it. With the invaluable help of Prof. dr. Kristina Lauche and Dr. Vera Blazevic, this PhD project comes to light via this manuscript. It is also a testimony to 'the pleasures and sorrows of [scholarly] work' (Alain de Botton, 2009).

CHAPTER 1

GENERAL INTRODUCTION

"For more than ten years, British Petroleum (BP), has been classified as 'Not Prime' in the corporate rating of oekom research. Although the company is comparatively committed and transparent in its sectoral context and demonstrates its strengths in the areas of renewable energy investments, climate protection strategy, tanker safety and reporting, BP has for many years suffered from major failures and weaknesses in the areas of plant safety, health and safety, and labour rights violations. On the occasion of previous environmental violations in the USA, Russia or South Africa, the rating of BP at oekom research had been severely downgraded, and this, even before the current events in the Gulf of Mexico."

oekom research, Press release, 23 June 2010

At the time the oekom press release was published, studies report that, in spite of its direct responsibility in the Deepwater Horizon oil spill in the Gulf of Mexico, BP received high marks from many influential social rating agencies between 2001 and 2009 (Orlitzky, Siegel, and Waldman, 2011; Steverman, 2010).

Social rating agencies (SRAs) are companies specialized in providing non-financial analysis and assessment to financial market participants (Arjaliès, 2010; Slager and Chapple, 2016). As financial intermediaries, they are able to develop tools to measure corporate social performance (CSP) (Déjean, Gond and Leca, 2004; Slager and Chapple, 2016). In addition, they are significant actors and institutional entrepreneurs of the corporate social responsibility field (CSP) (Avetisyan and Ferrary, 2013; Déjean, Gond and Leca, 2004).

If SRAs were assessing BP's safety record and environmental responsibility differently, the first question we could ask ourselves *is how are firms' organisational practices actually rated?*

Knowing that poor ratings may influence firms' financial performance negatively (Margolis and Walsh, 2003; Orlitzky, Schmidt and Rynes, 2003), we could also ask ourselves whether and how firms respond to social ratings in their CSR/sustainability reporting practices? And how do they become aware of new societal issues? My dissertation proposes to tackle these questions by entering the debate on the role of SRAs in the management literature.

1.1. SETTING THE STAGE: THE RISING INTEREST IN ESG INFORMATION

The BP Deep Water Horizon oil spill in 2010, the collapse of the Rana Plaza in 2013, the Volkswagen Dieselgate in 2015, or the Facebook-Cambridge Analytica data privacy scandal are notable examples bringing into focus the shadow facets of business activities. Either out of fear for reputational risk, or out of interest for competitive advantage, boardrooms all around the globe have discussions about corporate social responsibility, social accountability, and stakeholder dialogue. Sifting through all the noise and hype to find solid investment information, shareholders, investors, and financial analysts increasingly ask for information about the societal aspects of business activities, information qualified as non-financial. They want to gain a fuller understanding of the companies they are interested in, hoping this could lead them to more complete investment analyses and better-informed investment decisions.

Institutional investors, such as pension funds, asset managers, and insurance companies have been the driving force behind the development of the Socially Responsible Investment (SRI) movement, which promotes the consideration of environmental, social and governance (ESG) issues in financial markets (Arjaliès, 2010; Busch, Bauer and Orlitzky, 2016; Capelle-Blancard and Petit, 2019; Giamporcaro and Gond, 2016; Gond and Boxenbaum, 2013; Gond and Piani, 2013). Today, mainstream investors also choose this type of investment process, adding ESG information to the financial information they traditionally have been using. What started as a niche market led by socially responsible investors has now become a resource for large investment firms who believe that ESG issues affect the financial performance of their investment portfolios (Aktas, De Bodt and Cousin, 2011; Barnett and Salomon, 2012; Busch and Hoffman, 2011; Busch, Bauer and Orlitzky, 2016; Ioannou and Serafeim, 2015).

In order to integrate ESG issues in investment analysis and decision-making processes, those investment professionals turn to social rating agencies (SRAs) who have developed specific expertise in measuring this type of information and who produce social ratings in response to the need of the SRI community (Adam and Shavit, 2008; Avetisyan, 2013; Igalens and Gond, 2005; Mattingly, 2017; Parguel, Benoît-Moreau and Larceneux, 2011; Scalet and Kelly, 2010). Four decades after they started catering to the SRI community, SRAs have become a primary voice with respect to systematic analysis of investment-relevant information. SRAs study a variety of societal issues in a variety of industries, and scrutinise firms' corporate CSR policies and practices in order to provide company-specific ESG information to the SRI community. In spite of the growing prominence of SRAs and their central role between investors and firms, few empirical studies have investigated why and how these agencies can actually influence firms. In addition, firms' accountability vis-á-vis SRAs has rarely been discussed. Based on these premises, my thesis examines the role and influence of SRAs, and, specifically, how their ESG-based social ratings bring about change in business organisations.

In the management literature, research on the 'business case' for CSR is popular. Studies on CSR and corporate social performance (CSP) have developed extensively over the last decades, and related concepts and constructs have emerged, bringing to light the relationship between business and society (Bansal and Song, 2017; Montiel and Delgado-Ceballos, 2014). This relationship has been the backbone of the literature on the social responsibility of business, and has made stakeholder theory the state-of-the-art approach to counterbalance a purely market-oriented purpose of the firm (Freeman, 1984; Parmar, Freeman, Harrison, Wicks, Purnell and de Colle, 2010). Studies grouped under the banner of 'social issues management' focus on the interactions between firms and their stakeholders and explore how organisations engage in corporate social actions and accountability practices that directly lead to socially responsible behaviour (e.g. Donaldson and Preston, 1995; Freeman, 1984; Freeman, Harrison and Wicks, 2007; Marquis, Glynn and Davis, 2007; Perego and Kolk, 2012; Rasche, De Bakker and Moon, 2013).

Scholars who enquired how the importance of CSR has grown on the world's financial markets through the influence of socially responsible investors also acknowledged that SRAs, through their ESG calculative activities - e.g. the social ratings -, have established themselves as powerful financial intermediaries (Arjaliès, 2010; Déjean, Gond and Leca, 2004; Giamporcaro and Gond, 2016; Slager, 2015; Slager and Chapple, 2016; Slager, Gond and Moon, 2012). Yet, to date, we lack detailed insights in how social ratings hold firms accountable for their business activities and, in that process, how firms capture key social issues from SRAs, and pay attention to those in their reporting practices. ESG information addresses a broad and diverse spectrum of issues and concepts that are not brought up through traditional channels of communication and their recent use in mainstream investment raises questions about the role of SRAs in evaluating the socially responsible quality of firms (Giamporcaro and Gond, 2016; Slager and Chapple, 2016). It is such dynamic accounts in which SRAs and firms interact through social ratings that I want to address in this dissertation. This thesis addresses the following research question:

> *What is the role and influence of social rating agencies and their measurement of non-financial information on firms' organisational CSR practices?*

Answering this question requires understanding how firms take into account the expectations of SRAs in disclosing nonfinancial information in their CSR reports. More importantly, it requires beforehand an exploration of how SRAs are organised, how they construct their social ratings, and how they rate firms as these undertake CSR activities. Additionally, the research question requires investigating in depth the distinct processes and interactions between SRAs and firms, which then lead to a social rating.

I position my dissertation in the field of CSR. Since Bowen's (1953) landmark book *Social Responsibilities of the Businessman*, the modern CSR literature has made use of different theories and perspectives to explain corporate social and environmental business activities (Garriga and Melé, 2004). So far, none of these perspectives has led to an authoritative definition of CSR but there is agreement on the premise that CSR as a concept examines the relationships between business and society, and expresses concerns for societal issues. In the social responsibility research, societal issues are social and environmental issues that need to be addressed and extended beyond the notion of making profits. Paying attention to them is an integrative part of society's expectation of good business conduct (Bansal and Song, 2017).

Three definitions of CSR guided me during this research. First, Davis (1973) defines CSR as 'the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks' (p. 312). Second, McWilliams and Siegel (2001) 'define CSR [corporate social responsibility] as actions that appear to further some social good, beyond the interests of the firm and that which is required by law' (p. 117). Third, according to Van Marrewijk's (2003) inspired definition of CSR from the European Commission, CSR refers to 'company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders' (p. 102).

Relying on the business and society relationship's framework, I put the emphasis on some of the above cited terms to purposefully define CSR as *the 'consideration', 'actions' and 'activities' that firms may engage in as they respond to social and environmental issues and concerns, hence furthering social good*. Therefore, I elaborate on previous studies that recognise the social construction that underlies SRAs' rating practices (Arjaliès, 2010; Bessire and Onnée, 2010; Gond, 2006; Igalens and Gond, 2005), and, consequently, assume the importance of understanding social ratings as potentially 'ideologically motivated' (De Bakker, Den Hond and Laamanen, 2017; Den Hond and De Bakker, 2007).

In the remainder of this chapter, I first review the theoretical foundations of this dissertation by explaining the need for new lenses to study and conceptualize the influence of SRAs and their measurement of non-financial information on firms' organisational CSR practices. Then, I discuss the research design and methodological approach, and explain how my professional experience as a former ESG analyst helped me bring a unique insider-outside perspective to the research. Finally, I elaborate on the theoretical and empirical contributions of this research.

1.2. THEORETICAL APPROACHES ON ORGANISING FOR CSR

I draw on several streams of literature. I use stakeholder theory to analyse how expectations of external stakeholders such as SRAs become relevant in shaping organisational practices (Freeman, 1984). Freeman's multiple stakeholder management approach has the merit to shed light on the importance for managers to pay attention not only to the financiers' needs and expectations but also to those of a myriad of other stakeholders from customers, employees, and suppliers to the natural environment. SRAs have also become relevant stakeholders. Stakeholder theory does provide a normative and instrumental framework to encourage organisations to recognize the importance of building and managing relationships with all their stakeholders. However, it does not offer a framework to study how organisations integrate stakeholder issues into their organisational practices.

I also draw from insights of scholars who in the literature on business and society conceptualize CSP as the relationship between firms' economic and social objectives (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991). CSP can be measured as the sum of principles of social responsibility, processes of responsiveness, and outcomes resulting from the overall performance determined by stakeholders (Brower and Mahajan, 2013; Clarkson, 1995; Wood, 1991; Wood and Jones, 1995), and more specifically by the 'firms' societal relationships' (Wood, 1991, p. 693). Various scholars use social rating outputs in their empirical studies of CSP but they mainly use them to explain how firms, by focusing on a specific dimension - generally more often the environmental dimension than the social one - can make the business case for CSR, and bring strategic value to their responsible actions (e.g. Ioannou and Serafeim, 2015; Orlitzky et al., 2017; Shahzad and Sharfman, 2017).

To further investigate the relationship between SRAs and firms, I also draw on the accountability literature, as a complement to stakeholder theory and the CSP literature. There, I focus on firms' organisational CSR reported practices in response to SRAs' perceived societal concerns and firms' responses to those, as firms aim to improve their social performance assessment. (Adams, 2002; Adams, 2004; Adams and Frost, 2008). A deeper analysis of how social ratings and ESG performance factors impact firms' CSR reporting practices is one of many 'vital steps' to shape organisational-level CSR activities (e.g. Rasche, De Bakker and Moon, 2013). Management research using concepts of accountability and reporting, which gives an account of social responsiveness policies and practices, proposes to study the depth of information or the scope of coverage of the companies' activities towards a societal concern (Sethi, Martell and Demir, 2017). Scholars in this field, however, miss the opportunity to explore the role of SRAs beyond the one of mere information and transparency.

The organisational theories I draw upon in this research - the multiple stakeholder management approach combined with the accountability literature, and the CSP perspective – offer limited potential to analyse and understand how accounts of socially responsible practices are integrated into organisational and managerial processes. We need different approaches to identify the underlying mechanisms and relationships that are prevalent in the evaluation and measurement of firms' social responsibility. In addition, by using new theoretical frameworks to address the question of CSP measurement, I answer the call for centering the concept of CSP 'around empirical realities of what corporations do and what impact this has' (Gond and Crane, 2010, p. 694). Considering that CSP measurement is a multidimensional construct that requires to independently measure so many different variables in order to obtain an integrated CSP result, and that is is 'practically impossible for a researcher to be comprehensive (Hirsch & Levin, 1999, p. 202)' (as cited in Gond and Crane, 2010, p. 685), there is a need to open the 'black box' of SRAs' evaluation of ESG issues and the way those issues are captured in organisations. I draw the concept of a 'black box' from the field of telecommunications. Applied to management studies, this concept is applied to the study of social phenomena, which have become so complex that it may be more convenient not only to study their internal structure but also the nexus of relationships and interactions existing around them. Hence, the need for new theoretical lenses.

Therefore, I later combine the issue selling literature (Dutton, Ashford, O'Neill and Lawrence, 2001; Dutton and Ashford, 1993), and in particular social issue selling, with justification theory and its economies of worth framework (Boltanski and Thévenot, 2006 [1991]), and explore the processes of ESG evaluation practices and CSR reporting as justification practices (Reay, Golden-Biddle and Germann, 2006; Wickert, Scherer and Spence, 2016).

As I have established earlier, ESG performance factors address the needs and expectations of multiple stakeholders, which can be understood through stakeholder theory (Freeman, 1984) and the stakeholder salience framework (Mitchell, Agle and Wood, 1997). We know that the approaches to manage the corporate-stakeholder relationships operate in a very pragmatic terrain where some firms are mainly concerned about profit, some about social responsibility and some about both. Stakeholder theory insists on the necessity for a 'responsible business' to create as much value as possible for its stakeholders and denounces the 'false empirical distinction' between the economic and the social spheres. However, a lack of clarity about how to organize the creation of multiple values weakens its position.

In that regards, justification theory (Boltanski and Thévenot, 2006 [1991]) offers a more solid philosophical and sociological foundation to make the link between the normative and the classic economic perspective and therefore to frame the impact of social rating agencies on firms' corporate behaviour. According to Boltanski and Thévenot (2006 [1991]), multiple 'economies of worth' are in constant competition. Their clashes can be resolved through 'higher order principles' such as 'common good', 'justice' or 'equal dignity of human agents', which naturally introduce ethical values into an evaluation of the performance of objects and agents. From a plurality of practical realities, the question arises as to how multiple 'economies of worth' or 'orders of worth' intersect in the field of business and society. Drawing on Boltanski and Thevenot (2006 [1991]) and building on insights from other scholars (Gond et al., 2016; Jagd, 2011; Lamont, 2012; Patriotta et al., 2011; Taupin, 2012), I attempt to bridge the traditional gap between an instrumental 'value' system relying on a market price and epitomized under the concept of 'shareholder value' and a 'values' system relying on ethical considerations and stakeholders' interests. The evaluation of the latter is grouped under the concept of corporate social performance, which uses 'tests of worth' such as ESG performance indicators.

Social issue selling refers to the issue selling processes, which specifically focus on ethical, social, or environmental issues, and mobilise individuals to act not for their personal advantage but for society at large (Alt and Craig, 2016; Howard-Grenville, 2007; Risi and Wickert, 2016; Sonenshein, 2009; Wickert and De Bakker, 2018). Following the recent interest of other scholars in social issue selling (Alt and Craig, 2016; Risi and Wickert, 2016; Wickert and De Bakker, 2018) as well as in the economies of worth (EoW) framework (Cloutier and Langley, 2013; Gond & Leca, 2004; Gond, Leca and Cloutier, 2015; Jagd, 2011; Patriotta, Gond and Schulz, 2011; Stark, 2009), I find great value in bringing in these new approaches in the field of CSR. From the firm's perspective, they provide us with a magnifying glass on internal and external relationships that shape management practices against other conflicting priorities.

As I enter in conversation with this broad spectrum of literature, I decidedly embrace a process/practice-oriented approach to open the 'black box' of an SRA and to investigate how SRAs and their ratings influence firms and some of their main actors (Feldman and Orlikowski, 2011; Nicolini, 2012). Adopting the practice approach (Nicolini, 2012), I explore how, in the SRA-firm relationship, dynamics of interactions exercise meaning for the actors involved in that relationship. Taking a processual perspective (Feldman and Orlikowski, 2011), I also analyse the micro-processes and the dynamics around two central organisational practices in the SRA-firm relationship: CSP evaluation practices and CSR reporting.

1.3. THEORETICAL CONTRIBUTION

In this dissertation, I contribute to the CSR body of literature, specifically to the literature showing the role and influence of SRAs as significant stakeholders shaping organisational practices. I investigate how societal concerns, through the SRA-firm dialogical relationship (Chapter 2), the social rating and CSR reporting process cycles (Chapter 3), and micro-processes of evaluation and justification (Chapter 4), influence CSR practices (Aguilera, Rupp, Williams and Ganapathi, 2007; Chatterji and Toffel, 2010; Chatterji et al., 2016; Déjean et al., 2004; Den Hond and De Bakker, 2007; Golden-Biddle and Dutton, 2012; Gond, 2006; Gond and Crane, 2010; Slager and Chapple, 2016; Stephan, Patterson, Kelly and Mair, 2016; Wood and Jones, 1995). The research undertakes a deeper analysis of the interactions at an organisational level and at an individual level, highlighting the negotiation and feedback processes through which CSR issues become relevant between actors internally and externally. It also shows how the interactions between firms and social rating agencies are a driving force towards organisational change and offers the opportunity to further examine SRAs as relevant study cases for understanding how social change impacts internal processes. I shall argue that through the use of social ratings, firms end up integrating societal values into managerial value, hence creating positive social change.

Based on the foregoing, the concepts and relationships used in this research project are illustrated in Figure 1. Societal concerns are being addressed by SRAs, which are asking firms to give account of their CSR policies and practices. Through their proprietary methodologies to measure ESG performance factors and their understanding of corporate responsibility, SRAs produce social ratings based on their own epistemological and ontological approach (Chapter 2). SRAs' social ratings inform firms' CSR reporting practices and, if firms pay attention to them, they can potentially contribute to an improvement of their CSP level (Chapter 3). In their interactions with ESG analysts, sustainability officers pick up ESG issues, hence influencing firms' CSR reporting practices and bringing about organisational change (Chapter 4).

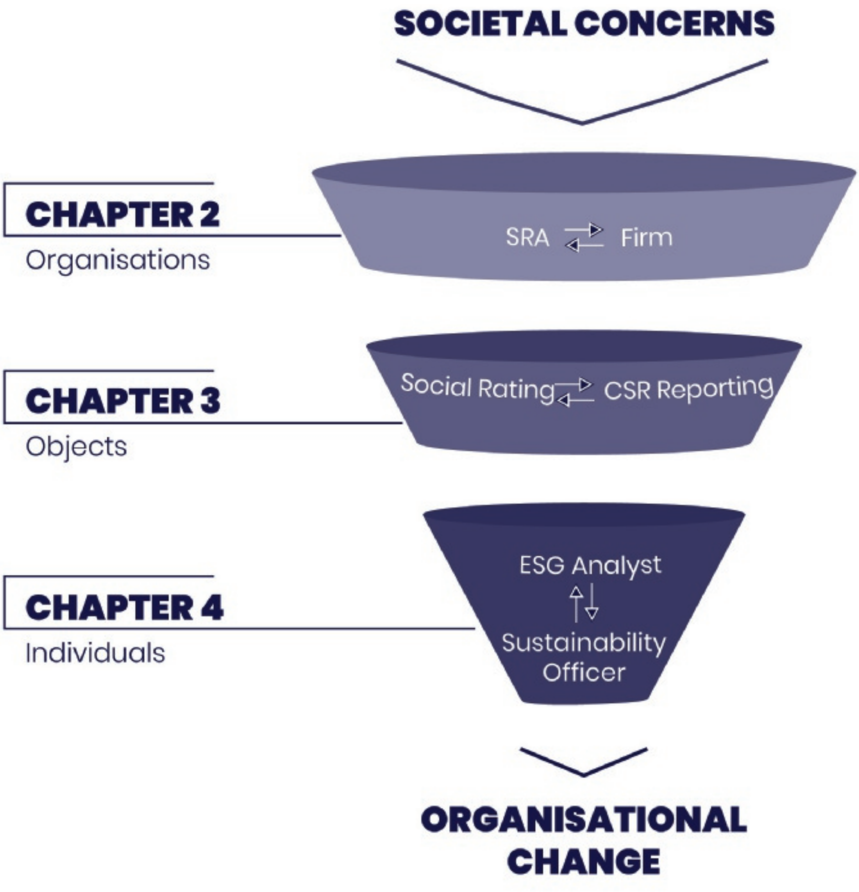

Figure 1.1 The doctoral thesis' conceptual framework: The funnel

1.4. STRUCTURE OF THE DISSERTATION

The structure of this doctoral dissertation is comprised of five separate chapters of which the pursuit of the thesis objectives is presented in three self-contained research articles that together fit into one unified body of research. Chapters 2, 3 and 4 answer the research question – *What is the influence of social rating agencies and their measurement of non-financial information on firms' organisational CSR practices?* - by focusing on the organisational aspects of social rating agencies and firms as they interact with one another about societal concerns, and by zooming in on the role of sustainability officers in this interaction. Table 1.1 presents an overview of the empirical chapters.

Chapter two. The article explores the organisation of social rating agencies (SRAs) and sheds light on how their CSP measurement practices are determined, constructed, and developed to deliver CSP data. SRAs judge firms' responsible behaviour using metrics that assess positive and negative business policies and practices. It is well established that SRAs are information providers that rate firms' performance factors based on three dimensions: environmental, social and governance (ESG), providing the investment market with social ratings to complement financial ratings (e.g. Delmas, Etzion and Nain-Birch, 2013; Scalet and Kelly, 2010). We, however, know very little on these external third-party providers. The scarcity of research describing what SRAs actually do, and how they construct and develop their social ratings is a long overdue call that we offer to answer: 'While sustainability rating agencies are constantly in the business of emphasising expertise and transparency, key aspects of their rating practices remain in darkness' (Chelli and Gendron, 2013, p. 196). For that, I rely on a unique insider-outsider perspective. Based on my former professional experience as an ESG analyst at an SRA between 2009 and 2014, I was in a better capacity than most scholars to unwrap and open the 'black box' related to the practices of evaluating and measuring CSP at an SRA (Gond and Crane, 2010; Slager and Chapple, 2016). I watched and learned how the evaluation of ESG performance factors was conducted in order to produce social ratings. More than just a descriptive study, this 'quasi-ethnographic approach' allows for rich understanding of soft information leading to description of philosophical underpinnings and therefore a more informed explanation of a prominent SRA's methodology, relationships and interactions around its rating practices.

For example, the SRA that I studied collects data not only on the way a company reports on its carbon footprint or on its behaviour regarding human rights issues (Arjaliès, 2010) but also on how the company manages and deals in practice with these ESG issues, insisting on items such as time frame and geographical scope to add granularity to its rating results (Bansal, 2003; Bansal, Kim and Wood, 2018). As such, the SRA screens all relevant controversies the company is or might be involved in and, consequently puts a value on the involvement, the non-involvement, or the potential involvement of a firm, thereby offering investors the ability to compare firms along the three ESG dimensions, their categories and topics. However, the evaluation and the final score/rating that the SRA will give reflects the SRA's own vision of what is a good or a bad performance. To rate a firm, the SRA will rely on principles of sustainability that it has created and shaped, according to its own philosophical approach. In that sense, the SRA is more than a financial intermediary between firms and investors. Therefore, through their social ratings, SRAs may influence firms to take into account the concerns of a broad variety of internal and external stakeholders and to give account of these concerns in response to their external assessment. In this study, I highlight the transformative role of SRAs in the business and society relationship by showing that social issues are not only a matter of measurement but also a matter of interactions. Chapter 2 offers an analysis of firms' interaction with internal and external actors regarding ESG issues at an organisational level.

Chapter three. Firms have to take a broader view at their actions as they continue focusing on profits and shareholder wealth. As the ESG trend grows, firms are aware of the fact that they are expected to be accountable for their actions (Aktas, de Bodt and Cousin, 2011; Guay, Doh and Sinclair, 2004). Therefore, with the aim of improving their corporate social performance, firms have started to adapt their organisational practices and to undertake CSR activities that they disclose in CSR and sustainability reports. Focusing on firms' reporting practices, Chapter 3 analyses the impact SRAs, through their social ratings, have on the way firms report on ESG issues. My knowledge of a functioning ESG evaluation framework, and command of the general and industry-specific ESG issues and related-performance factors, allowed for a good analysis of a unique set of data, that is the social rating reports and social ratings of global firms active in the telecommunications industry between 2002 and 2014. This study shows that by encouraging some form of dialogue between firms and SRAs, social ratings are an essential part of the ESG issue attention mechanism. The ESG issue attention mechanism can explain how and why we should expect firms to react to specific stakeholders' interests, in our case to SRAs' evaluation of ESG performance. Chapter 3 shows how the processes linked to the practices around social ratings and CSR reporting become relevant in shaping organisational-level CSR activities and policies.

Chapter four. Often analised as a source of competitive advantage (Branco and Rodrigues, 2006), firms address ESG issues under the concept of CSR. Firms voluntarily integrate societal concerns in their operations as well as in their interactions with their stakeholders, and top managers actually take business decisions based upon ESG performance factors (Gauthier, 2005), converting social value into financial value (Hollandts and Vialorgue, 2011). Scholars have tried to identify the mechanisms that push business organisations to exercise their social responsibility by engaging with their stakeholders (Aguilera, et al., 2007) but some voices keep pointing out the need to better address the question of how exactly these organisations pick up new ESG issues, understand them, and how, in their organisational practices, they deal with ESG issues internally (Gray, 2010; Marcus, 2012; Schwartz and Carroll, 2003; Schwartz and Carroll, 2008). Chapter 4 offers an analysis of firms' interaction with internal and external actors regarding ESG issues at an individual level. It also shows how sustainability officers' interaction with ESG analysts about the evaluation of their CSR practices influence firms' actions as they justify and value those practices.

TABLE 1.1 Overview of the empirical chapters

CHAPTERS	RESEARCH QUESTIONS	THEORETICAL APPROACH	METHODOLOGY	ACADEMIC CONFERENCES
Chapter 2: Bridging the Gap between Society and Business: The Transformative Role of Social Rating Agencies	*How do social rating agencies integrate societal issues in their measurement frameworks and how are their performance metrics constructed, and developed to deliver CSP data?*	Stakeholder theory; CSR-related concepts, specifically Corporate Social Performance	Qualitative study Insider-outsider perspective Data: - 8 interviews with oekom members: (CEO and founder, COO, Head of Research, Team leader and Research Director, Senior Analyst, Analyst) + 2 informal conversations with middle management - 30 oekom internal documents: e.g. oekom Top Research Rules, oekom rating report structures, oekom organigramme - 26 oekom publicly available documents: e.g. oekom Understanding of Sustainability, and other documents available on oekom's website - 7 external documentation: e.g. Ethical-Ecological Rating- The Frankfurt Hohenheim Guidelines - E-mail archives	78th Annual Meeting of the Academy of Management, 10-14 August, 2018, Chicago, Illinois, USA; 8th International Conference on Sustainability and Responsibility, 14-16, November, 2018, Cologne, Germany

TABLE 1.1 Overview of the empirical chapters (cont.)

CHAPTERS	RESEARCH QUESTIONS	THEORETICAL APPROACH	METHODOLOGY	ACADEMIC CONFERENCES
Chapter 3: Let's Talk! How Firms Respond to Being Rated on ESG issues	*How do firms respond to social rating agencies' ratings in reporting on ESG issues ?*	Stakeholder theory; accountability literature	Qualitative and quantitative longitudinal study Data: – 91 CSR reports of telecom operators between 2002 and 2016 – 69 oekom rating reports of telecom operators between 2002 and 2014 – 25 UNGC Communications on Progress of telecom operators – 14 lists of DJSI components between 2004 and 2017	30th European Group of Organisational Studies Colloquium, 3-5 July, 2014, Rotterdam, The Netherlands; 1st International New Business Model Conference, 16-17 June, 2016, Toulouse, France; 3rd International CSR, Sustainability, Ethics & Governance Conference, 1-3 August, 2016, Cologne, Germany.
Chapter 4: Mobilising Forms of Justification and Evaluation to Sell the Relevance of Environmental, Social and Governance Issues Internally	*How do sustainability officers deal with ESG issues externally and internally?*	CSR-related concepts, specifically the processes around organising CSR, issue selling, and justification theory (economies of worth framework)	Qualitative study Data: 25 interviews with: – 12 sustainability officers in the – telecommunications industry; – 8 oekom research employees; – 3 SRI investors, and – 2 auditors	6th CSR Research Seminar, 23-24 June, 2016, Brussels, Belgium; 7th International Conference on Corporate Sustainability and Responsibility, 14-16 September, 2016, Berlin, Germany; 33rd European Group of Organisational Studies Colloquium, 6-8 July, 2017, Copenhagen, Denmark; 34th European Group of Organisational Studies Colloquium, 5-7 July, 2018, Tallinn, Estonia.

RESEARCH DATA MANAGEMENT

A data management plan guided my research. A dedicated data safety process guaranteed the security and privacy of storing the collected data, implemented an efficient retrieval of information (e.g. folder arrangements, file naming), and included a regular back-up system in a safe place. I collected both quantitative and qualitative data. They included, for instance, datasets in Excel sheets, interviews in Word files, documents in PDF files, field notes on paper and E-mails. As of now, storage of all data is electronically, well documented, and available for verification purposes. Due to the private and confidential nature of some data, not all data collected are available for re-use.

CHAPTER 2

BRIDGING THE GAP BETWEEN SOCIETY AND BUSINESS: THE TRANSFORMATIVE ROLE OF SOCIAL RATING AGENCIES

I wrote this paper with Kristina Lauche and Vera Blazevic. An earlier version of this paper was presented at the 78th Annual Meeting of the Academy of Management, 10-14 August, 2018, Chicago, Illinois, USA; and the 8th International Conference on Sustainability and Responsibility, 14-16 November, 2018, Cologne, Germany.

ABSTRACT

Social rating agencies (SRAs) have a dual role: on the one hand, their ratings provide information and measurement tools for the investment market, and on the other hand they incentivize firms to improve their corporate social behaviour, thereby bridging the gap between society and business. SRAs use non-financial performance indicators to assess how firms deal with environmental, social and governance (ESG) issues. Their social ratings serve as a complement to traditional financial ratings for the capital markets and are also used for research on corporate social performance (CSP) in academia. Their validity and reliability have often been contested, yet little is known how SRAs actually measure social performance. This paper provides an insider's perspective on the practices of evaluating and measuring CSP at an SRA. Our findings show that by bringing specific societal issues to the forefront of the discussion in corporate boardrooms and in the broader investment community, the agency had an impact on the firms it rated as well as on the investors. Relying on a normative approach and dialogical processes of exchange for social change, their proactive assessment practices opened new lines of dialogue between multiple stakeholders in society, investors and firms. A better understanding of this transformative role of SRAs helps us to develop a more dynamic account of the relationships between society and business.

2.1. INTRODUCTION

As financial and economic markets have been increasingly marred by scandals in the last two decades, the traditional separation between societal values and financial value is under revision. Capital markets, which traditionally have put the notions of economic and financial growth at the centre of their actions, start showing a genuine interest in more social and environmental considerations.

Calls for the recognition of stakeholders other than only financiers (Freeman, 1984) concur with the idea that the collection, analysis and evaluation of non-financial information go hand in hand with the elaboration of measurement tools assessing corporate social performance (e.g. Avetisyan and Ferrary, 2013; Gond, 2006; Scalet and Kelly, 2010). In response to the demand for non-financial metrics, the social rating industry develops and produces specific measurement tools for assessing the way firms deal with societal issues. Investors use thus the research and databases from KLD, Thomson Reuters Asset4, BMJ Ratings, Calvert, Corporate Knights, Dow Jones Sustainability Index, FTSE4Good, Global Engagement Services (GES), as well as from other, less advertised SRAs. These few social rating agencies (SRAs) have become the dominant providers of non-financial metrics on the financial markets (e.g. Chatterji and Levine, 2006; Delmas et al., 2013; Gond et al., 2009). In practice, investors select suppliers of social ratings, rankings and indices who use a pragmatic and systematic approach to assess environmental (E), social (S), and governance (G) risks in their metrics (Eccles and Viviers, 2011; Galbreath, 2013). In that case, the term 'ESG' refers exclusively to the three dimensions (Environment, Social and Governance) that SRAs use to evaluate companies (Avetisyan and Hockerts, 2017; Lydenberg and Sinclair, 2009). The ability to collect ESG data and provide ESG metrics has helped SRAs become key players in the broader investment community (Avetisyan and Ferrary, 2013; Avetisyan and Hockerts, 2017; Gond and Boxenbaum, 2013). As the non-financial metrics that SRAs provide are of considerable value for investors, SRAs are also now playing an increasingly important role within firms. Thus, they put societal issues, and more specifically ESG issues on the radar screen of a variety of business actors not only in the financial world but also in the boardrooms of large corporations.

In their empirical studies, scholars use the same metrics and databases as investors to conduct their studies, often not making the difference between the organisations and the products and services they provide, adopting the outcomes of their measurement tools, and accepting de facto the assessment and evaluation framework behind these outcomes (e.g. Alberola and Giamporcaro-Saunière, 2006; Arjaliès, 2010; Bessire and Onnée, 2010; Chatterji and Toffel, 2010; Déjean, Gond and Leca, 2004; Gond, 2006; Gond and Boxenbaum, 2013). For example, management scholars in the business and society literature extensively exploit social ratings, rankings and indices, and use the term 'rating' interchangeably with the two others (e.g., Scalet and Kelly, 2010; Avetisyan and Ferrary, 2013). We hereafter offer a first step to differentiate these metrics.

Ratings, also referred to as 'scores', define the 'quantification of (...) data by the Analysts through a comparison of companies inside each industrial sector', as opposed to 'rankings', which consist in the 'classification of companies in each industrial sector based on the previous scores' (Déjean et al., 2004, p. 751). *Ranking* schemes lead investors to include a certain stock in their portfolios or, because they are placed in the public arena, motivate firms to improve their performance in the area of social responsibility (e.g., Adam and Shavit, 2008). *ESG indices* are designed to help investors, specifically those of the socially responsible investment (SRI) movement, track firms' CSP, using ESG evaluation (Arjaliès, 2010). The principle of these indices relies on the inclusion or exclusion of investment targets in listings elaborated by the research organisations (López, Garcia and Rodriguez, 2007). The Dow Jones Sustainability Index, the ESG MSCI indices (formerly the KLD's Domini Social 400 Index) and, the FTSE4Good are among the most famous ones and are emanations of SRAs (Avetisyan and Ferrary, 2013).

Specifically in the field of corporate social responsibility (CSR) and corporate social performance (CSP), scholars use these metrics drawing on various streams of research and epistemological orientation to analyse, evaluate or measure specific corporate social actions, contributing largely to the 'disorientation' of the CSP concept (De Bakker, Groenewegen, den Hond, 2005; Gond and Crane, 2010). This suggests that the need for such data from academia may surpass the quest for more information on these providers of CSP metrics (Gond and Crane, 2010). It is, however, often difficult to draw a straight line between a positivist and a socio-constructivist approach in the SRA literature because researchers not always identify, explain or justify the epistemological stance they have adopted. Drawing on agency, stakeholder, or legitimacy theories, authors refer to the measurement of corporate social actions as non-financial performance evaluation, CSR measurement, or CSP assessment, but data covering social performance continue to be 'in search of a theory' (e.g. Chatterji and Levine, 2006; Chatterji et al., 2009; Delmas et al., 2013; Gond, Palazzo and Basu, 2009; Igalens and Gond, 2005; Ullmann, 1985).

The recurring debate in previous research on CSP about the empirical validity of the CSP concept reveals a need for some clarification around the measurement tools SRAs provide investors with. As one of the most studied areas of research in CSR, scholars have constantly relied on SRAs' metrics when studying the relationship between CSP and CFP (cf. the systematic reviews and meta-analyses to investigate the CSP-CFP linkage, e.g. Margolis and Walsh, 2003; Orlitzky et al., 2003; Wang, Dou and Gia, 2016). Independently of the fact that scholars rarely use the same performance metrics from the same SRAs, these research efforts are ambiguous and contradictory in their conclusions (Margolis and Walsh, 2003; Orlitzky et al., 2003). Additionally, they use different theoretical perspectives to study the CSP-CFP relationship. For instance, the instrumental stakeholder theory in Barnett and Salomon (2012) leads one to view the CSP-CFP relationship as *U-shaped*, thus contradicting McWilliams and Siegel (2001) who, using the theory of the firm perspective, suggest that the CSP-CFP relationship is *neutral*. On the other hand, Surroca, Tribó and Waddock (2010) combine the instrumental stakeholder theory with the resource-based view of the firm, and hypothesise that 'there is no direct relationship between CSP and CFP but that there is a virtuous circle connecting both performance measures through intangibles (p. 464)'.

What these three examples tell us is that, by relying on an SRA's data to measure CSP, all authors accept, without knowing it, the epistemological and ontological approach taken by their data providers to identify ESG issues, and to assess, evaluate and measure CSP.

Hence, the motivation of this study to investigate how SRAs integrate societal issues in their measurement frameworks, specifically how their non-financial performance metrics and their CSP measurement practices are determined, constructed, and developed to deliver CSP data. Given the emergence of SRAs as key providers of CSP measures, our intention is to open the black box around what do SRAs do, how they actually pick up societal concerns, and how they turn them into measures of CSP to produce social ratings. These queries imply to analyse key aspects of SRAs' relationships with internal and external actors that influence the construction process of their non-financial metrics.

Conceptually, our investigation of the development process of social ratings builds on the CSP literature, and acknowledges the link between CSP and corporate financial performance (CFP) as a social construction of financial markets besides a positivist and functionalist approach (Giamporcaro and Gond, 2016; Gond, 2006; Gond and Boxenbaum, 2013). We need to better understand how SRAs actually work, how they evaluate the performance of a firm from an ESG perspective, and how they are effective in providing relevant and superior information to the financial markets (Busch et al., 2016; Eccles et al., 2011; van den Brink and van der Woerd, 2004). It is thus necessary to investigate the operational tools that support SRAs in their evaluation of CSP. As investors, managers and scholars rely heavily on SRAs' social ratings, we argue that it is increasingly relevant for us in academia to understand SRAs' measurement practices if we want to acknowledge or refute concerns in the ranks of academics about the validity, reliability and comparability of the CSP measurement by SRAs (Chatterji et al., 2016; Delmas et al., 2013; Orlitzky et al., 2017).

With this objective in mind, we investigate the internal workings at a specific SRA, the German SRA oekom research AG (oekom). In investigating the construction process of metrics that lie behind oekom's social ratings, we specify that the SRAs' actual rating practices are tools or devices that frame the society-business interaction, and make business organisations internalise its effects. By showing that this SRA, through its dialogical processes of exchange for social change, has a direct influence on organisational outcomes, thus triggering change towards sustainability, we follow the call for more research building on the constructionist stream of research and expand knowledge in the literature on SRAs and CSP (Gond, 2006; Gond and Matten, 2007; Elbasha and Avetisyan, 2018; Igalens and Gond, 2005) as well as in the socially responsible investment (SRI) field (Arjalies, 2010; Déjean, Giamporcaro, Gond, Leca, Penalva-Icher, 2013; Giamporcaro and Gond, 2016). At the time of our research, oekom was an independent and prominent European SRA that had never been studied in the management literature so far. We shed light on the role played by this SRA from the construction process of social ratings to the process of exportation of ESG issues within firms. This paper examines this SRA's practices, what it actually does, how it measures CSP and how its rating methodology actively shapes and transforms relationships between the firms it rates and the investors that pay for its services, around ESG issues. Through our unique access, we were able to investigate how oekom's rating methodology was developed internally, and could open the 'black box' of how its CSP measurement construct was operationalised. Our study shows how the rating practices are related to ESG evaluation, and informs us on the broader role played by this SRA in the society-business relationship.

The article comprises four sections. First, the literature review offers an overview of the literature addressing SRAs, specifically the way this literature approaches SRAs by clarifying their epistemological perspective. Second, we explain our methodological approach and why the case of oekom research is a specific one in the SRA industry. Third, we present our findings regarding the rating practices, conceptualization and operationalisation of ESG measurement, and show how this SRA engaged in constant critical dialogue, both internally and externally. Fourth, the discussion section highlights the transformative role of SRAs in the relationships between society and business and proposes a more dynamic account in which social ratings can serve as vehicles for action and change towards addressing societal concerns.

2.2. THEORETICAL BACKGROUND

The terms 'social rating agencies', 'sustainability rating agencies', 'CSR rating agencies', or 'ESG rating agencies' have been used interchangeably within the management literature on society and business. In general, studies addressing SRAs cover streams of research that generally include the business ethics, the business and society, the strategy, the management and the organisational literature, using different theoretical approaches, which are broadly encompassed under the umbrella of the CSR and CSP literature (Garriga and Melé, 2004). Thus, SRAs have emerged as calculative agencies (e.g. Giamporcaro and Gond, 2016) that provide important assessments to the investment community (e.g. Scalet and Kelly, 2010). They foster CSR at firm level (Parguel, Benoît-Moreau and Larceneux, 2011; Slager and Chapple, 2016), and contribute by directing major capital flows towards more responsible companies (Hassler and Reinhard, 2000). In fact, SRAs are defined in multiple terms, mainly depending on whether scholars take a positivist or a constructivist approach in their studies.

2.2.1. Social Rating Agencies and the Measurement of CSP

There are studies on social rating agencies (SRAs) providing metrics that measure CSP (e.g. Alberola and Giamporcaro-Saunière, 2006; Arjaliès, 2010; Avetisyan and Hockerts, 2017; Bessire and Onnée, 2010; Gond, 2006; Gond and Leca, 2004; Gond and Boxenbaum, 2013). Being able to measure corporate social performance (CSP) may well function like measuring corporate financial performance (CFP), yet, little is known about SRAs' practices. Comprehensive research on the development of SRAs' rating processes, and hence trying to make sense of SRAs' role towards business actors as they measure societal issues through ratings, rankings and indices, is rare and only few researchers have worked on the organisation of SRAs (Delmas et al., 2013; Gond, 2006; Gond and Leca, 2004).

When managers give an account of their financial responsibilities to owners and investors, they show a large set of financial statements and items on their balance sheets and use financial mathematical techniques to calculate the financial value of their firms. Then, credit rating agencies analyse these balance sheets and measure the firms' CFP. Yet, financial data are but one limited measure of corporate performance and recent studies suggest that a good CSP performance has an impact on CFP (e.g. Shahzad and Sharfman, 2017), hence on credit ratings (Attig, El Ghoul, Omrane and Suh, 2013; Cheng, Ioannou and Serafeim, 2014; Cordeiro and Tewari, 2015). SRAs were created in the mid-1990s to fulfil a parallel and similar role to credit rating agencies (CRAs) with regard to evaluating firms. While CRAs still focus on concrete financial measures and indicators, SRAs monitor multiple perspectives and dimensions ranging from ethical issues to environmental, social and governance (ESG) issues. On the one hand, they help socially responsible investors to exclude so-called 'sin stocks' such as tobacco, alcohol, or gambling from their portfolio selection, and on the other hand, they help these same investors to include companies with a positive ESG evaluation based on a defined set of criteria regarding e.g. the protection of human rights, labour standards, gender equality, combating climate change or securing access to environmental resources (UNPRI, 2016, 2018).

CSR and CSP scholars conceptualise CSP as the relationship between firms' economic and social objectives (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991), firmly establishing an epistemological position as regards this relationship. More often than not, they adopt a positivist and functionalist approach to study the CSP-CFP link and consider non-financial metrics as 'taken-for-granted' (Entine, 2003, Gond, 2006, Igalens and Gond, 2005). In that respect, we draw on Gond's (2006) theoretical contribution to the CSP literature, which offers a framework of analysis of this literature from a sociological perspective. Gond (2006) uses Burrell and Morgan's (1979) typology of the different theories of social functioning as a 'theoretical compass' (Figure 2.1). Along two 'axes' representing the assumptions about the nature of science on the one hand, (subjectivity-objectivity), and the assumptions about the nature of society on the other, (regulation-radical change), Burrell and Morgan (1979) distinguish four paradigms that shape researchers' approach to research: radical humanism, radical structuralism, interpretivism and functionalism.

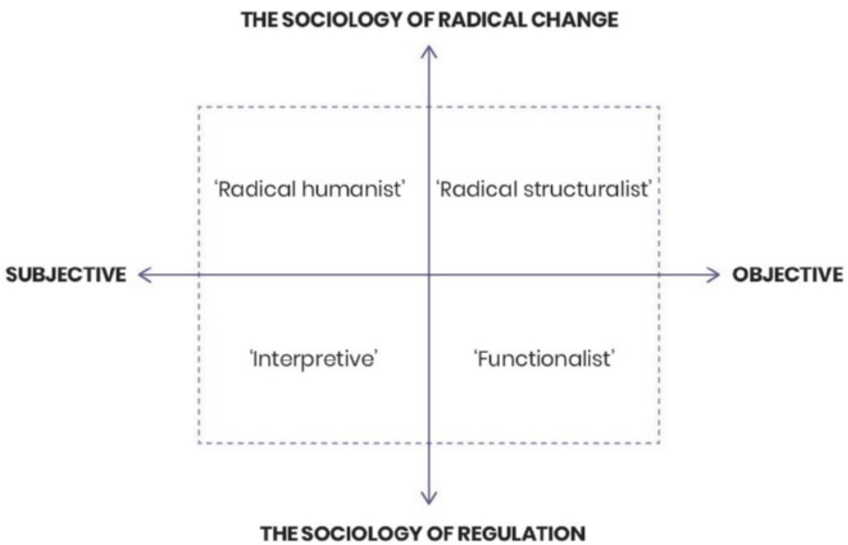

Figure 2.1 Burrell & Morgan's (1979) four paradigms for the analysis of social theory

Following Burrell and Morgan's (1979) typology of paradigms for the analysis of social and organisational theory, Gond (2006) avails himself of those four paradigms to define the different perspectives researchers take in the existing CSP literature. Grounded in the context of the business and society relationship, Gond takes into account the diversity of the various existing CSP theoretical models and provides a more flexible framework than the original Burrell & Morgan's (1979) framework of analysis. Gond (2006) labels the epistemological dimension 'orientation towards change' versus 'orientation towards regulation', and the ontological one 'a more subjectivist approach' versus 'a more objectivist approach' (Figure 2.2).

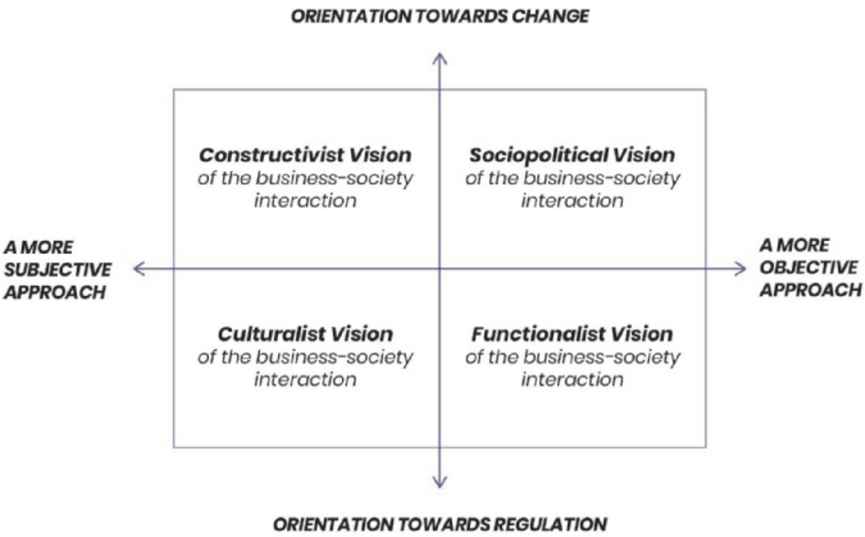

Figure 2.2 Gond's (2006) translation of the Burrell & Morgan's framework of analysis

Through this application to the CSP literature, Gond (2006) arrives at four quadrants: a 'constructivist vision', a 'sociopolitical vision', a 'culturalist vision' and a 'functionalist vision'. Gond's framework of analysis is useful to review the existing literature on SRAs. First, it helps clarify the theoretical positioning of the authors, as well as the philosophy of science they rely on to interpret the nature of the phenomena they observe. Understanding their theoretical and observational statements allows us to differentiate the authors' perspectives on the CSP concept, on the SRAs, and as a consequence on the SRAs' measurement tools, the ratings. Relying on the four paradigms Gond (2006) proposes to analyse the interaction between business and society in the CSP literature, we are in a better position to review the SRA literature and to build our own theoretical position. Analysing the phenomenological and ontological status of SRAs in various studies, we came across multiple theories and streams of studies and decided to contrast two fundamental standpoints that emerge from Gond's translation of Burrell and Morgan's framework: the socio-constructivist versus the positivist approach. CSP scholars, who address SRAs as a rather static world use their ratings and measurement tools as 'taken-for granted' show a positivist approach. Those, however, who have a more dynamic approach to CSP and see SRAs as agents of social change in interaction with other actors, show a socio-constructivist approach. Gond's interpretation of 'constructivism' relies on the assumption that CSP is conceptualized through processes of social construction and cognitive framing. Therefore, CSP scholars ought to reflect on the philosophies that influence their ways of observing, thinking and doing research, and know from which ontological and epistemological assumption they work when using the SRAs' databases and CSP measurement tools.

We must concede that this is a simplification of Gonds' argumentation in favour of a more general theoretical approach to the business and society interaction, of which CSP and CSR concepts constitute special cases. However, by demarcating the literature on SRA under the positivist and socio-constructivist labels, we follow the idea that these standpoints represent the outer limits of philosophical thought underlying an *engaged scholarship* (Van de Ven, 2007). In that vein, we adopt a critical realist perspective, acknowledging the existence of inconsistent and contradictory perspectives on CSP, and our own limitations in understanding the complexity of the phenomenon we examine. We argue that SRAs are a specific social phenomenon, and that the understanding of them is a social construction, which demands the use of multiple perspectives.

2.2.2. The Nature of Social Rating Agencies

Studies using a positivist approach agree to define an SRA as 'any organization that rates or assesses corporations according to a standard of social and environmental performance that is at least in part based on non-financial data' (Scalet and Kelly, 2010, p. 70). Clearly, by providing non-financial performance metrics by way of social ratings to complement traditional financial metrics, SRAs are proxies for CSP (Barnett and Salomon, 2012; Delmas, Etzion & Nairn-Birch, 2013). More precisely, they measure non-financial performance or CSP with indicators of corporate social action, representing social strength and weakness toward defined stakeholder groups (Mattingly and Berman, 2006; Sharfman, 1996). Inevitably, the attempt to establish a relationship between CSP and CFP and to make the business case for CSR comes down to using a positivist epistemology, which according to Burrell and Morgan (1979, p. 5) is an approach, which seeks 'to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements' (e.g. for a meta-analysis of the CSP-CFP studies cf. Orlitzky et al., 2003).

Beside this positivist approach, a range of studies use a constructivist or a socio-constructivist one. For example, in a commendable effort to describe the nascent social rating industry, Waddock (2008) has developed a taxonomic classification of organisations involved in CSR ratings. The taxonomy offers a typology of responsible investment institutions, stock indices with a sustainability orientation, social research firms, as well as some social rating agencies. These organisations are identified as new institutions in an emerging corporate responsibility infrastructure that 'attempts to effect change and, increasingly, mandate to pressure companies to improve their effects on people, the planet and societies' (Waddock, 2008, p. 87). They do so, for instance, through dialogue, standard setting, ratings and rankings, 'and other tactics, to encourage greater transparency among corporations' (Waddock, 2008, p. 88). This suggests that Waddock's (2008) epistemological position towards SRAs is socio-constructivist.

Similarly, studies exploring the conditions explaining the emergence of SRAs orientate themselves more towards a socio-constructivist approach. Studies conducted by Alberola and Giamporcaro-Saunière (2006), Avetisyan and Hockerts, (2017), Déjean, Gond and Leca (2004) show how SRAs' historical evolution and growth strategies remain a topic of interest, providing in their findings rich discussions on the way they manage their legitimacy as a new profession. Déjean et al., (2004) approach SRAs as 'institutional entrepreneurs', that is, 'actors who create norms, values and scripts and by whose actions the new institution becomes accepted' (Déjean et al., 2004, p. 742). Contextualising SRAs in the midst of an emerging market for socially responsible investments (SRI), these authors analysed how an SRA built its legitimacy and power by developing tools to measure CSP. Their socio-constructive view on the SRA led them to suggest that SRAs should not only be looked at as mere providers of 'taken-for-granted measures of CSP' but also as 'entrepreneurial actors'. Their actions and interactions in the SRI field can be twofold: they can either 'challenge the financial actors' logic – entering into a power logic' or acknowledge 'the power of financial actors' and 'seek legitimacy through them' by catering to the financial markets with the products and services they need (Déjean et al., 2004).

Later studies have tried to better understand how the SRI field emerged. Concentrating on their strategies of legitimation, Bessire and Onnée (2010) also engaged with SRAs as 'institutional entrepreneurs', and offered an analysis framework to identify ideal types of strategies. Moreover, both scholars observed that 'differences in strategies of legitimation mainly reflect ideological divergences', and that an SRA's quest for legitimacy usually reveals their prevailing ideology (Bessire and Onnée, 2010, p. 459). They contrasted SRAs' 'conservative' strategies, which embedded a 'utilitarian ideology', with SRAs' 'activist' ones, which embedded a 'non-utilitarian ideology'. For them, the legitimation strategies SRAs deploy are an indication of the ideological perspective they take when assessing, evaluating and rating companies. The SRAs hence either perpetuate the societal status quo and the domination of a materialistic world (conservative; utilitarian perspective) or want social change by contributing to human welfare (activism; non-utilitarian perspective).

The theoretical and empirical debates around antagonistic paradigms in the SRI field continued. Arjaliès (2010) further tried to explain the emergence of SRI as a social phenomenon, approaching SRAs as forming part of a social movement, and therefore being socially constructed. Arjaliès' (2010) empirical study described them as 'challengers' who, from within economic institutions, employed a mainstreaming strategy to drive change towards a more ethical or sustainable approach of SRI (Arjaliès, 2010). A lively exchange on whether the SRI field is a social movement then followed (Arjaliès, 2014; Déjean et al., 2013). The debate on whether the broader SRI field contributes to the advancement of the common good or not highlights the importance of clarifying the primary raison d'être of key actors within the field, in our case SRAs (Arjaliès, 2014; Déjean, Giamporcaro, Gond, Leca and Penalva-Icher, 2013). Interpreting SRAs as either ethically-driven or economically-driven raises relevant questions in the business-society relationship. Are SRAs 'radical activists' contributing 'to the enhancement of social welfare and the well-being of communities' (Déjean et al., 2013, p. 209) or are they mere 'reformist actors' seeking 'to gradually trigger change from within financial institutions (Arjaliès, 2014)? Although the SRAs belonging to the reformist groups are also able to trigger societal change, their main objective, however, is to develop the emerging SRI field *from within*. On the contrary, although they are key actors *within* the field, SRAs belonging to the activist groups oppose the dominant financial logic in place, and because of their societal agenda, can be seen as acting *from the outside*. Den Hond and De Bakker (2007) describe them as 'ideologically motivated' individual and collective actors that 'step forward to articulate societal preferences about the level and nature of corporate social change activities, and they challenge firms to comply with these preferences' (p. 917). What matters to them is to exert pressure on firms to behave more responsibly towards society. In this context, their purpose is to bring about a radical social change.

Whether from the perspective of the firms being assessed, or from the SRI field, SRA studies also investigate the role of SRAs and their metrics as 'social tests' that incentivize firms to perform in accordance with SRAs' expectations, hence conferring legitimacy to their measurement tools (Chatterji and Toffel, 2010; Slager and Chapple, 2016). Reflecting a growing maturity of the market for SRI from a macro-social perspective, such tools help business practices to focus as much on financial materiality as on non-financial materiality, broadening the definition of materiality from pure shareholder returns to societal benefits, towards a new form of economy that helps restore social justice and distribute financial power more equitably (Gond and Boxenbaum, 2013). Theorizing the processes whereby calculability and power interact, Giamporcaro and Gond (2016) show how SRAs become 'organisational sites of power' as they 'wish to use financial markets for the purpose of enhancing corporate responsibility (e.g. NGOs, environmentalists) and/or to develop products, services and other market activities related to SRI' (Giamporcaro and Gond, 2016, p. 2 and 6).

Recently, scholars have drawn on Strategy-as-Practice and Neo-Institutional Theory research to conceptualise SRAs not only as 'economic actors' but as 'social actors' (Elbasha and Avetisyan, 2018). Their view on SRAs as socially constructed takes them a step further in their understanding of SRAs as 'supra-individual actors': SRAs purposefully engage in strategising behaviors with other actors within society in order 'to establish their legitimacy, increase their influence and ensure their survival within the society' (Elbasha and Avetisyan, 2018, p. 44). As a result of their constant interactions with powerful and legitimate actors of the CSR field (e.g. investors, companies, field experts, government, academia), SRAs have established themselves as strategic actors who 'actively engage in defining and revisiting the structural parameters', by materializing, integrating and reshaping social and environmental issues in their rating schemes (Elbasha and Avetisyan, 2018, id.).

Our literature review indicates that very few studies have examined SRAs' actual rating practices, and in particular the construction process behind non-financial performance metrics of the rating frameworks. This article addresses this gap by focusing on oekom research AG as a single case. The scarcity of research describing what SRAs actually do, how they are organised, and how they evaluate, measure, and rate firms' social and environmental performance may be explained by the difficulty for researchers to access proprietary data and methodologies covering SRAs' evaluation practices and sustainability approaches underlying their ESG evaluation (Chatterji et al, 2016). Management scholars dealing with SRAs and their measurement tools in their CSR and CSP studies have traditionally taken a functionalist and instrumentalist approach and, as we have discussed, using this approach have oriented their research towards objectivity and regulation, for example, explaining CSR positive or negative impacts and CSR determinants. We choose to move away from this dominant functionalist paradigm to a socio-constructivist perspective, which acknowledges SRAs as social actors in the realm of society and business relationships. This approach stresses an orientation towards subjectivity, and acknowledges, through their rating practices, the role of SRAs as actors for social change (Gond, 2006; Gond and Matten, 2007). By conceptualising SRAs as social actors affected by an ideology, we agree with other academics that the institutional and historical context influences the way SRAs act and interact with others when evaluating firms' actions (e.g. Bessire and Onnée, 2010). We are convinced that the approach SRAs take when assessing and evaluating firms' social performance is essential to understand how they produce social ratings. Therefore, we advance the analysis of oekom as a specific social phenomenon, and anchor the study of this SRA in its sociogenesis.

2.3. RESEARCH METHODOLOGY

The goal of this paper is to understand what social rating agencies do and how they do it, and to explore the procedures surrounding the operationalisation of ESG data into measures of CSP and rating schemes. We adopted a methodological approach focusing on qualitative data offering to open the 'black box' of an SRA. To further understand these previously explored phenomena, we followed Gioia and Chittipeddi's (1991) rather than Eisenhardt and Graebner's (2007) example and opted for a single case study, which enables us to investigate one SRA's practices in depth (Langley and Abdallah, 2011). The epistemological assumption of the 'Gioia method' is interpretative, searching for 'informants' understandings of organisational events' in order to capture and model informants' meanings whereas the 'Eisenhardt method' chooses a post-positivist perspective searching for facts, with the goal of 'developing theory in the form of testable propositions' (Langley and Abdallah, 2011, p. 205). Our quest for phenomenological richness as well as an 'alternative 'way of seeing' the role' of SRAs supports the choice of our research design (Gioia and Chittipeddi, 1991). Our research approach is, therefore, interpretive, and implies a constructivist paradigm applied to the study of an SRA (Gond, 2006).

We selected one specific SRA that has a long tradition in the responsible investment (SRI) field and is seen as qualified actors by its peers, clients and certification bodies, namely the social rating agency oekom research AG (oekom). In a study conducted by the think tank SustainAbility who polled sustainability professionals from business, government, NGOs and academia, oekom was recognized as the organisation with the most credible ratings among others such as Asset 4 ESG ratings, MSCI ESG indices, Sustainalytics, and Vigeo (SustainAbility - Rate the raters, 2012). This agency was also the only

SRA that enjoyed the two certification standards available on the market: the quality standard ARISTA for the use of the Responsible Investment Research groups (http://www.aristastandard.org/content/the_standard.html) and the Deep Data Delivery Gold Standard (http://www.deepdata.ai), a standard developed for ESG data by a team of investment professionals and academics around the world. We were able to gain insider access to this organisation and were thus able to understand the role of this SRA in the business and society relationship, and open what scholars have identified as 'black boxes' of responsible investment (Gond and Crane, 2010; Slager and Chapple, 2016). We analyzed how oekom was measuring ESG performance factors by focusing on how the rating schemes and the rating methodologies were developed and operationalised within the agency.

2.3.1. Research Setting: oekom Research AG

At the time of our research, oekom, based in Munich, Germany, was a renowned SRA, one of the few independent European SRAs, which over the last decades, had become a social phenomenon for the financial markets (Giamporcaro and Gond, 2016). Researchers have investigated other SRAs, for instance KLD and ARESE, and have found that, as a result of various local and global stakeholders' implications in the institutionalization of the CSR and SRI field, those SRAs had emerged as key players (Avetisyan and Ferrary, 2013). The story of oekom is another case in point. As institutional entrepreneurs that find themselves in an emerging field, oekom's principles for action and interaction 'are collective human constructions that reflect the organisation's history and the history of its environment' (Ocasio, 1997, p. 196).

The man behind oekom is Jacob Radloff. Born in the 1960s not far from Lake Starnberg in Bavaria, he was a free thinker already in his youth distinguishing himself as an anti-nuclear activist and leading an Anti-Chemicals-Club at age 10, then as an environmental activist resisting the building of an expressway through the hills near his home at age 13. Radloff left school at the age of 17 and launched an ecologically-minded magazine entitled '*Politische Ökologie*' in 1987 when he was only 21. Two years later he started the 'oekom publishing house' (*oekom Verlag*), which still exists today and which prides itself for, among other things, having been 'climate neutral' since 2008.

In 1993, Radloff, together with Robert Hassler, a young man freshly graduated in Business Adminsitration from Ludwig-Maximillians University in Munich (Germany), launched oekom Gesellschaft für ökologische Kommunikation GmbH (oekom – private limited liability company for ecological communication), an independent information provider for ecology and sustainability, furnishing ecologically-oriented publications and journals, and providing ratings of enterprises according to ecological criteria. Both activities continued under the same legal entity, and many journals such as *Ökologisches Wirtschaften* (Ecological Economy) since 1997, *GAIA* since 2001, as well as *Informationsdienst Der Umweltbeauftragte* (Information Service – The Environmental Officer), and *Ökologie & Landbau* (Ecology and Farming) since 2004, have sprung from this venture.

In 1999, the environmental rating activities were spun off from the publishing house and incorporated as a new legal entity, 'oekom research AG'. At this date, oekom started to produce ratings for the investment community. Oekom grew into one of the leading SRAs for socially responsible investment not only in Germany, but also in Europe, providing corporate social ratings, country social ratings, sovereign bonds ratings, and second-party opinions on green bonds. The agency had its headquarters in Munich, Germany, and offices in Paris, London and New York, as well as representations in The Netherlands and in Switzerland. At the time of our research, the agency provided ESG research on 3,700 companies located across the world for assets totalling more than 600 billion euros.

The story of oekom must be understood against the socio-political background of West Germany in the 1980s. Having its roots in the anti-nuclear and peace movements of the 1970s the German Green Party was founded in 1980 around the four pillars of 'Ecological Wisdom', 'Grassroots Democracy', 'Social Justice' and 'Non-Violence'. Much to everyone's surprise the anti-pollution, anti-nuclear and anti-war campaigns of this new 'social movement – turned into a political party' caught on and earned the Greens a seat in the Federal Parliament from 1983 on. Similar movements sprang up in other western countries and certainly since the first UN Conference on Environment and Development ('Earth Summit') in Rio de Janeiro in 1992, and the promulgation of the International Chamber of Commerce's 'Business Charter for Sustainable Development' in 1991, formerly 'green' concepts and ideas have moved from the fringes into the political and economic mainstream.

Oekom drew its strength and stability from a tradition of over 20 years in the rating of non-financial information. This was further underscored by the continuity in its management and in its rating procedures (cf. the Findings section). At the time of the study, contrary to all other social rating agencies active in the market, no financial service providers or rated issuers composed its shareholder structure[1,2]. In addition, oekom did not offer consulting services to the companies it rated; its clients were the investors and not the issuers. From 6 Analysts in 2003 rating 1200 companies, oekom grew to employ 70 Analysts in 2016 whose research covered a universe of 6, 200 corporate and sovereign issuers worldwide, influencing around EUR 1.5 trillion of assets under management. With a low employee turnover, oekom kept employing a large majority of its early days Interns and Research Assistants (later called Junior Analysts), who in a continual career evolution conditioned by regular internal training programmes, became Analysts, Senior Analysts, and then Research Directors. Before joining oekom, Analysts had no financial studies and were not trained as financial analysts. Likewise, they had no comprehensive ESG expertise. However, their academic degrees were in fields related to one dimension of the ESG spectrum: environmental engineering and ecology, governance and legal studies, economics and business administration, political science and international relations, and social and cultural studies. A large majority of the Analysts were female, had studied abroad and held a Master's degree (approximately 70% in 2016). The minimum level of education was a Bachelors' degree.

[1] Since March 2018, the agency is the subsidiary of Institutional Shareholder Services (ISS), operating under the brand ISS-oekom (oekom, 2018). The agency has not succeeded in resisting the wave of mergers and acquisitions in the ESG rating industry, and in staying true to the strong desire of its founders to remain financially independent (Avetisyan and Hockerts, 2017).

[2] In November 2018, Jacob Radloff launched a new venture named *oekom Stiftung Finanzwende GmbH (Foundation for Financial Change)*, a nonprofit private limited company. 'The aim of the foundation is to continue to promote the ideological motive of oekom research AG (oekom) to create a sustainable finance economy through various activities' (Jacob Radloff, 2019).

2.3.2. Data Collection

We collected data from a variety of sources, including quasi-ethnographic observations by an insider-outsider at the SRA, interviews with oekom employees, and original texts and documents produced by the SRA. First, we had the unique opportunity to benefit from the insider-outsider status of the first author who took part in the in-house training first as Research Assistant and fifteen months later as Analyst. She worked in one of the four Research Teams of the Research Department between September 2009 and January 2014. She was responsible for conducting, developing and implementing oekom Country Ratings and oekom Corporate Ratings. Corporate ratings covered the research, assessment and evaluation of a variety of international companies from different industries. During this four-year total immersion, the first author actively participated in all the activities and projects of her Research Team, among others corporate ratings, country rating, training, Analysts' meetings, working group discussions, and annual workshops. She participated in the implementation of social ratings, following and reviewing internal rating processes, tools and methodologies.

One year before resigning from the agency, in January 2014, she started her academic research process as an insider or 'native' within oekom, and collected materials that she later analysed for the current study. Her position also allowed her to perform certain tasks using internal documents and the IT system working from home. At the time when the first author left oekom, she was closely engaged with her domain as the Analyst in charge of the evaluation of companies in the Telecommunications industry. This ability to study things inside oekom in their natural setting enabled this 'insider-researcher' not only to have access to privileged documents but also to develop a level of detail in the rating experience. From this privileged position, the first author observed the agency's practices, experiencing the ESG rating processes from the elaboration of the rating methodology to the corporate social performance assessment, benefiting from a thorough knowledge of the work practices, methodology, schemes and procedures surrounding the production of ESG ratings.

In addition, during her almost five years at the SRA, the 'insider-researcher' was also able to gain a deep understanding of how the agency was organised, and to observe the culture of an SRA in full growth mode. Both during her tenure and after she left the agency to continue her academic research as an outsider, she always interacted naturally with the group and its members, forging good relationships with all oekom members. She immersed herself in the culture of the agency, of its managers and analysts, and by sharing their experiences, also counted on a mutual trust between herself and her former colleagues. This enabled her later to collect additional data in order to improve the quality of the study. In addition, during her time as an analyst, she was appointed 'Vertrauensperson', an employee entrusted to represent oekom's workforce towards management, in the absence of a works council and trade union representatives at oekom. This gave her the opportunity to be involved in other oekom activities and with other departments beyond the research team.

Relying on these valuable internal sources, we thus complemented the approach with a set of 6 interviews at the SRA. The previously established relational intimacy with all members of the agency allowed the lead researcher, more than two years after she had left oekom, to conduct interviews with an invaluable proximity, sensitiveness and sufficient knowledge to the field but, at the same time, with sufficient 'cooling off' and distance to prevent both the risk of a loss of objectivity and a possible lack of interest from the interviewees who could assume full knowledge of the practices on the interviewer's side. Aware of the ethical challenges facing the insider-researcher, and in order to overcome possible critique of informant bias, a waiting period of more than 18-month has been respected between the moment the researcher resigned from her position as an Analyst and the moment the interviews were designed and conducted. The idea of undertaking this research was not originally motivated by the opportunism of the insider-researcher, formerly an ESG Analyst, and the idea of engaging in a reflexive process, but rather to genuinely enrich the current knowledge on processes of assessing, measuring and evaluating environmental, social and governance performance factors. The time that has elapsed between the resignation of the main researcher from oekom and the writing of this paper allows her to find the balance necessary to maintain rigor and independence in the research and produce a reasonably unbiased and objective data analysis.

We interviewed the CEO, one of the two founding members of the rating agency, and acting as oekom's CEO since 1993. He was essentially involved in the business development of the agency. We also interviewed the COO, who started as an Analyst in 1998, took on the role of Head of Research between 2001 and 2016, and was acting as a member of the Executive Board since 2003. As COO, he was essentially in charge of investor research services, methodological developments, and IT – Innovation and Technology–. Both the CEO (23 years at oekom) and the COO (18 years at oekom) were the longest-service employees. Other interviews were with members of the SRA's 'Research Teams': one ESG Analyst (6 years at oekom), one ESG Senior Analyst (5 years at oekom), one Research Team Leader (11 years at oekom), and the new Head of the Research Team (13 years at oekom) (See Appendix A for oekom's organigramme). Given the total time spent at oekom, all interviewees were in a position to actually discuss the various changes that took place over the years. In addition, the interviews were followed by episodic conversations and mail exchanges with other employees such as the Head of Human Resources, the CEO, the Head of the Supervisory Board, and other Analysts. As we already mentioned, these interviews were used in the study in a quasi-ethnographic research method and as mere anecdotal evidence. They helped update the knowledge already acquired during the immersion phase and focus on the characteristics and requirements of the rating process that Analysts are expected to follow to produce social ratings. During the interviews, a lot of questions like who, what, where, when, why, how, with whom, how long, etc. were asked to better understand the rating practices of the SRA (See Appendix B for the questionnaire guideline used with oekom members). In our data collection, we were eager to learn more about the methods and procedures that support the work of the Analysts and other members within the agency and therefore focused on the crucial stage of assessment and evaluation of ESG performance factors. We wanted to learn more about the routines and motivations of the Analysts and other members of oekom, and investigated how their motivations, experiences and routines were an inspirational input for designing the rating framework.

Finally, in order to put these data into context, we accessed important original texts and documents produced by the agency to better support its rating approach. They are available on the agency's website under the section ‘Our philosophy’ and include a Mission Statement, an Understanding of Sustainability, a Code of Conduct, and Principles of Sustainability Rating. Through this web presence, the agency also defines itself (‘About us’), what activities it conducts according to each category of clients (‘Information for...’), and on which values it relies (‘Why oekom?’). We selected four foundational documents that we added to our data analysis: 1) the agency’s mission statement (Appendix C), 2) its understanding of sustainability (Appendix D), 3) its principles of sustainability rating (Appendix E), and 4) the Ethical-Ecological Rating – The Frankfurt-Hohenheim Guidelines (hereafter accessible via a weblink[1]) and their implementation via the Corporate Responsibility Rating. These documents constitute the basis on which oekom disseminates its vision, theorizes its purpose and edicts the principles that, according to its philosophical approach, are relevant to rate a potential company.

2.3.3. Data Analysis

We originally asked ourselves how does the SRA oekom operate in producing social ratings, and followed a qualitative approach to investigate the SRA oekom rating processes. At the early stage of the analysis, the exploration of the SRA’s socio-genesis enabled us to highlight oekom’s own philosophical approach and own values and beliefs, which inform how its social ratings are produced. Because our primary focus was on opening the ‘black box’ of the rating processes, we coded all the data describing the SRA’s modus operandi, including the design of the rating methodology, and the various steps in the ratings production. We looked at how the construction process of ESG metrics became standardised, and thus were able to not only trace the practices of doing SRA ratings but also the practices of becoming an SRA Anteby, Curtis and Dibenigno, 2016). The analysis of the development of oekom as a skilled profession empathised how the SRA’s actual rating practices are devices that frame the society-business interaction. Having noticed that this interaction involved different groups of actors, we zoomed into the internal workings at the SRA both as an organisation offering taken-for-granted measures of CSP, and as a social actor driven by an ecological motivation to trigger

[1] https://www.cric-online.org/images/individual_upload/div_infos/fh_guidelines_engl.pdf

social change. We further analysed the relations and interactions that oekom developed internally with its analysts, and externally with firms and investors. We found that these relations were ontologically more fundamental for the SRA than the ratings that it was producing.

The analysis of these ethnographic data and documents was complemented by the analysis of the interviews conducted by the first author. Our data related to activities, concepts, opinions and values to help us explain and interpret the role and experience of people at the agency. This data analysis approach was inspired by a qualitative research technique, 'context mapping' (Sleeswijk Visser et al., 2005) to capture rich information about people's experience in design practice for product innovation, specifically user-centered design. It aims to capture experiences and social practices, in this case how the agency produced its social ratings.

This data analysis approach distinguishes itself form the traditional content analysis, which focuses on the categorization of verbal and behavioral data, and relates more to the narrative analysis oriented towards narratives as transcribed experiences. However, our aim was less to reflect upon these narratives but rather to capture how the agency was organised to produce social ratings.

The themes that emerged from the analysis included, for instance, 'practices of becoming an analyst', 'drivers of the rating methodology', 'professionalization', 'accreditation and standardization', culture of discussion', 'dialogues', 'values', 'identity', 'holistic approach', 'impact on society', 'direct and indirect role of the agency' (cf. Table 2.1).

TABLE 2.1 Illustrative Narrative Analysis

DESCRIPTIVE NARRATIVE VIGNETTES	THEMES	THEORETICAL PROCESSES
oekom's socio-genesis - Accreditation - Standardisation - Direct and indirect role of the agency	An accidental SRA	Becoming (Professionalization)
Embedding values and beliefs in the rating framework - oekom's Understanding of Sustainability & Principles of Sustainability Rating - Drivers of the rating methodology	Sustainable development as a guiding principle	Being (Values)
Rating dialogues with firms, investors, analysts and scientific advisory board, experts	Culture of discussion Tensions	Communicating (Relational and Communicative dynamics)

2.4. FINDINGS

In this section we report on the rating practices at the SRA oekom research AG with a focus on the construction process of its ESG metrics. We first relate how the SRA came to existence and shed light on the philosophical approach that the agency and its founders, together with a Scientific Advisory Board, explicated for themselves as a frame of reference for internal and external dialogue. Then, we explain how this organisational identity served as the basis for the operationalisation of ESG data into its rating framework, and analyse how the SRA actually works, how its ratings are produced, focusing on what actors do to translate and interpret societal issues and non-financial information into social ratings.

2.4.1. Becoming an SRA: the Accidental Emergence of a Skilled Profession

When oekom research AG was created in 1993, its founders, Jacob Radloff and Robert Hassler, had as their primary objective to motivate companies to become more environmentally friendly and force them '... *to take this issue [ecology] seriously*...' (CEO and founder). The idea of developing an environmental rating germinated when the German chemical and consumer goods company Henkel & Cie published its first environmental report in 1992, leaving the two ecologically oriented founders were intrigued. They wanted to be able to determine whether what Henkel communicated on their environmental performance was truly the '*expression of a real responsibility*' and commitment to protect the natural environment or was just the result of a PR campaign. Shortly after they had access to the report, they set out to explore the market of environmental ratings and made a basic desk research. They soon found out that, in the UK and USA, some investors were buying ethical screenings in order to exclude sin stocks from their portfolio – e.g. no tobacco, no pornography – but that no similar research effort focused on environmental issues. Oekom's first 'Environmental-Rating' was created.

The active personal involvement of the oekom founders in the environment and climate issues was instrumental in the design and development of their rating activity. For them, assessing firms' level of environmental responsibility was an opportunity to promote environmental performance from a management perspective, and to stimulate competition between companies. Wanting '*to look behind the wonderful reports and all the wonderful company-driven statements*', to '*leverage the financial market*' and '*channel the investment flows*' towards the topic of sustainability, they found themselves '*already there before any kind of market was visible*' (CEO and founder). However, when they started to develop their 'Environmental-Rating' measurement tool, the oekom founders ignored much of the investment field and the financial markets. They were then faced with a strong competition, in particular from asset managers and asset owners who were more familiar with the financial world.

> '*We did a lot to develop the market. We did a lot to raise awareness ... but those from the financial markets ... quite often gained from it, instead of us. We had to learn so many things (CEO and founder).*'

With this distinct pioneering spirit in the field of environmental research and sustainability rating, the founders participated and won an international tender for a four-year rating project involving global financial players such as Bloomberg. As of 1995, various financial service providers started launching eco- and sustainability funds on the financial markets used oekom's environmental research. Given these developments in the field, the two 'ecological advocates turned social entrepreneurs' kept the faith in their enterprise and decided to make sure that their rating agency would '*have a sort of an authority, an independent authority*' (CEO and founder).

In 1991, a project group named 'Ethical-Ecological Rating', led by social-ethics Prof. Dr. Johannes Hoffman at Johann Wolfgang Goethe University in Frankfurt (Germany) and consumer-affairs economist Prof. Dr. Gerhard Scherborn at the Hohenheim University in Stuttgart (Germany) was formed. This project group had as its objective to develop a set of criteria to identify investments for the ethically and ecologically motivated investors. For the elaboration of their criteria, the scholars adopted the value-tree analysis (VTA) developed by Ortwin Renn (today a professor serving as Scientific Director at the Institute of Advanced Sustainability Studies in Postdam, Germany) and identified three main dimensions as the basis of their ethical evaluation of companies: 1) cultural sustainability (Kulturverträglichkeit), 2) social sustainability (Sozialverträglichkeit), and 3) environmental sustainability (Naturverträglichkeit). Their choice of theoretical foundation was determined by their willingness to influence the movements of capital from a 'moral reasoning' and a 'normative moral understanding, such as that reflected in the ecological movement, and make it fruitful for the structuring of socio-economic life and for cultural development' (Balz et al., 2002, p.18). They further justified their choice in the following terms:

> *The objective of the [VTA] method is to provide a stronger emphasis of moral or evaluative (axiological) components against the predominance of technical or economic criteria (efficiency, profitability). (...). The VTA method originated from the rational-choice theory with respect to collective decision-making; it goes quite a bit further than conventional cost-benefit analysis (CBA). 'Value pluralism' is presupposed as a given social reality. All social groups are intended to be included in the VTA. The VTA defines*

values as preferences, 'concepts of what is desirable. They can also be understood as 'criteria' or 'thematic perspectives' (Balz et al., 2002, p.19).

In 1997, the ECR project group presented its theoretical set of criteria, the Frankfurt-Hohenheim Guidelines. The project group was determined to cooperate with a rating agency already active on the market, in order to facilitate the transfer of the Guidelines in this agency's rating structure. Consequently, the group could encourage and persuade ethically motivated institutional investors to use ethical-ecological ratings. In 1999, a contract between the ECR project group and oekom research AG was signed. Oekom developed the Corporate Responsibility Rating (CRR), a new rating product for the investment community, which added a social and cultural dimension to their already existing Environmental-Rating. With the CRR, they officially started to put in practice the FHG. Under the leadership of its ecologically minded founders, oekom emerged, therefore, as a skilled profession, turning their commitment to the natural environment into social entrepreneurship, and becoming a social rating agency almost by accident.

2.4.2. Being an SRA: Setting Sustainable Development as a Guiding Principle

In a mix of methodological, organisational and communicational structures, oekom analysts had to operationalise oekom's rating schemes following methodologies and rating practices embedded in the concept of sustainable development as a normative construct. Based on their ecologically oriented agenda, the oekom founders, together with the ECR project group, developed a set of principles setting sustainable development as a guiding principle, at the heart of oekom's philosophy, when producing social ratings. Standing up for the natural environment, the agency adopted a position that defined the SRA's organisational core values and identity. Oekom's motivation to pressure firms to be transparent about the societal outcomes and impacts of their business practices prompted the SRA to be transparent about their 'holistic approach'. In 2010, the agency formalized its approach in a document titled 'oekom research's understanding of sustainability', in which oekom detailed its intrinsic values and beliefs as regards the protection and development of human society, as well as the conservation of the natural environment. In its preamble, the SRA stated the following:

> *'Sustainable development is the guiding principle on which oekom research's rating approach is based. The protection and development of human society, as well as the conservation of the natural environment, for which the key players in politics and civil society, the economy and the financial markets bear joint responsibility, are central to our philosophy. Our vision – for current as well as future generations, in industrialised countries as well as in developing and newly-industrialised countries – is of a world in which people are able to lead self-determined, safe and healthy lives free of existential worries, where individuals have the opportunity to develop according to their abilities and to live in an intact environment. We acknowledge that the natural environment has an intrinsic value above and beyond its economic utility. Where conflicts arise in the achievement of environmental, social and economic goals, oekom research seeks to arrive at a fair and socially acceptable balance of interests, which takes into account the fundamental importance of an intact natural environment for social and economic development.'*
>
> *(Extract from oekom research's understanding of sustainability, 2010 & 2016)*

Thus, following the concept of 'sustainable development' as a 'guiding principle', the agency was assessing and evaluating firms' policies, measures and actions with an assumed normative perspective:

> *'We [at oekom] have a holistic logic. We have our approach and say: this is good or this is bad. We always start … by identifying what are the most important issues, the most important challenges from an environmental and social point of view in the different industries and we weigh all those indicators with regard to their contribution to the overall [ecological and social] responsibility, and come to one final result on a rating scale (Founder and CEO).'*

At the time of our research, in 2016, oekom published an updated version of 'oekom research's understanding of sustainability', and explicitly linked the vision of the SRA to the United Nations' Sustainable Development Goals. Besides the original ecological, social and human rights fundamentals, oekom's updated version of its 'understanding of sustainability' showed an increased emphasis on 'social justice' and a 'fair world economic order'. Nine principles were listed:

1. protecting human dignity and integrity,
2. guaranteeing the provision of basic supplies,
3. guaranteeing individual development,
4. participating in political, social and economic decision-making processes,
5. social justice (as opposed to 'justness' in the original English version) and a fair world economic order,
6. respecting and preserving diversity,
7. protecting the natural environment,
8. using raw materials efficiently and sustainably,
9. avoiding risks in the use of new technologies.

It was against these clear and precise principles that firms' business practices were subjected to critical evaluation in subsequent oekom ratings.

This normative perspective for sustainable development formed the basis for the SRA's internal critical dialogue. Every analyst had to learn and master oekom's ecological approach as developed in these specific sustainable development principles in order to measure CSP accordingly. By being transparent about the set of principles upon which firms were to be measured, the agency adopted the role of a values-based watchdog in the field with the same normative approach. In their 'understanding of sustainability', a philosophical statement referenced how the world should work and who and what should be valued in society:

> *'Our vision (…) is of a world in which people are able to lead self-determined, safe and healthy lives free of existential worries, where individuals have the opportunity to develop according to their abilities and to live in an intact environment…(…). oekom research seeks to arrive at a fair and socially acceptable balance of interests, which takes into account the fundamental importance of an intact, natural environment for social and economic development'.*
>
> *(Extract from oekom research AG's Understanding of Sustainability, 2010 & 2016)*

By acknowledging its holistic and normative logic when producing its ratings, oekom set out to position itself in the SRA industry and to establish clear differences between its perspectives and goals and those of its competitors'. Viewing itself as a social actor, with a clear socially and ecologically oriented perspective, oekom decided, based on its own values, beliefs and principles what is good CSP performance and what is bad CSP performance.

> *'[Investors] want us to enable them to invest according to THEIR values and not to OUR values… We [at oekom] have a holistic logic. We say: this is good or this is bad. We always start by identifying what are the most important issues from an environmental and social point of view in different industries and we weigh all those indicators with regard to their contribution to the overall [ecological and social] responsibility (Founder and CEO).'*

The oekom founders were conscious that their rating approach, with its societal-values orientation, was challenging and rigorous. They had, therefore, to be and remain independent:

> *'We are completely free in our positioning (Founder and CEO).'*

In another key publicly available oekom document 'Principles of sustainability rating', analysts were informed about their duties and responsibilities. The agency's ratings were intended as a tool to complement financial ratings and were thereby supplementing the '*purely economic approach to rating adopted in the past*' (Principles of sustainability rating). This other key document was complementing oekom's 'Understanding of Sustainability', informing all interested parties, particularly the firms they were rating, the investors buying their ratings, and all new employees on the beliefs and values upon which their rating framework was operationalised. Three fundamental principles were highlighted: independence, completeness, and comparability. However, whether economically sustainable or not, the principle of independence was the foundation on which the quality of their ratings had to rely. For one of oekom's directors, only '*independent authority*', in other words, financial independence, could guarantee an independent ESG research:

> *'Independence is a pre-condition to objectively assess the risks (…) you are not tempted to close one eye, (…) independence is imperative to have a meaningful and reliable analysis (Head of Research).'*

In fact, although the SRA originally had ecological and societal motives, it was a for-profit company, which had to meet economic imperatives and participate in the economy with external actors. In its 'Understanding of Sustainability', the agency posited its rating activity in relation to four groups of actors that 'bear joint responsibility' for a sustainable world: the key players of the political arena, of civil society, of the economy, and of the financial markets (oekom research's understanding of sustainability, 2010, 2016). By defining themselves in relation to those players, the agency acknowledged the traditional narratives of capitalism and free market while at the same time making room to an analysis based on principles of freedom, rights, and stakeholder responsibility. Social ratings had thus the ability to connect firms' responsibility towards societal issues and to include concepts related to sustainable development in their strategic thinking, inducing, therefore, a normative theory of the firm.

2.4.3. Doing Social Ratings by Communicating: the Communicative Constitution of an SRA

Based on the insider's experience at oekom, analysts needed the experience of all members of the Research Team to start rating companies. The rating process implied to operationalise a sustainability approach and ESG knowledge to the SRA's rating structure. This required setting up standardised structures and documented processes, and dedicating organisational structures to discuss questions related to the rating methodology and the rating process among junior analysts, analysts, senior analysts and research directors. By fostering a culture of regular dialogue, the SRA was putting communication at the centre of its activities.

2.4.3.1. Standardised Structures and Documented Processes

> *'When I arrived at oekom [November 2003] there were already some structures, I do not know who really created them. But there were structures and documented processes. (…). At oekom we keep making jokes about that, there is always a handbook or a guideline for everything. There are processes, there is a lot of documentation and*

a lot of structure like the periodical meetings. I think they [processes] were created by the Executive Board. They then (…) were further developed and filled with life by the analysts (Head of Research).

Standardised structures and documented processes ensured the quality of the ratings. Mandatory handbooks gave comprehensive directions on rating guidelines and processes, including the indicator assessment approach. Analysts had to strictly follow very clear instructions regarding the assessment and grading process as well as the evaluation standards outlined in this documentation. The rating framework included indicators, content, coverage criteria and sub-criteria evaluating different aspects of a corporate policy or measures for each indicator. Standard indicators were mandatory, and in special cases, some were optional. Industry-specific indicators were an important part of the rating framework. They corresponded to identified challenges and risks on an industry-by-industry basis.

The first author started at oekom as a Research Assistant (the entry-level analyst position, also referred to as Junior Analyst) and was first enrolled in a six-month training period. During this time, she was tested on her ability to evaluate ESG topics and indicators in accordance with oekom's understanding of sustainability and oekom rating rules and methodology. A pool of long-standing analysts, familiar with both oekom's sustainability approach and the practice of rating facilitated the training. The main challenge for the analyst to-come was to learn and integrate oekom's position towards all ESG issues addressed in the rating framework and to implement the methodology as accurately as possible:

'Training takes place the moment you start at oekom (…). You have to learn the rules and to be trained by more experienced Analysts. (…) Then the real process starts: getting more of this experience because not all the topics are so obvious to assess (Analyst).

At that stage, the focus was on doing an external research identifying firms' weaknesses, shortcomings, deficiencies, failures and non-compliance as regards ESG issues, and also to highlight their strengths and good practices. Live one-on-one demonstration sessions were dedicated to learn how to technically and systematically gather and save the data that were used for the assessment and the evaluation/grading in oekom's computerised system. Each research activities had to be documented in a protocol indicating which companies had been assessed, and which step of the rating process had been completed, leaving thus little chance to improvisation. Steps of the rating process included, for example: company profile update, negative criteria, strengths and weaknesses, media screening, external research for interim report, full update report, or event-driven reports.

With the guidance of several analysts, the new recruit was doing research on a broad spectrum of ESG issues such as industry-wide sustainability trends, always looking for information that might trigger changes in the rating framework. This research was later used to formulate oekom's position as regards key ESG issues and to inform all relevant parties. Publicly available oekom Position Papers ranging from climate change to human rights were there to foster transparency in the rating evaluation standards (e.g. Carbon Capture and Storage, Nuclear Energy, Corporate Green Bonds, and GMOs and Agro-Biotechnology, Working Conditions in the Supply-Chain). All new members of the Research Team had to attend the training programme, which aside from the knowledge transfer, was an opportunity to get to know most Analysts and Senior Analysts and their specific research competence, so that she could directly reach out to them whenever she needed to.

When the first author became an Analyst, she carried out the social rating of companies in various industries, among others, Chemicals and Household & Personal Products. She was later entrusted with the Telecommunications industry, for which she was the lead Analyst. As such, she oversaw the sustainability management of all companies in these industries, keeping up to date with the latest trends and developments from a business and ESG perspective. Being an Analyst meant being a project manager. She had to make sure that all through the rating process, from the initiation to the conclusion, each rating was following a set of very clear tasks, roles, and responsibilities. As the Head of Research confirmed, Analysts were expected to take decisions about concrete rating practices, emphasising thus their sense of initiative and responsibility:

> *'[Our principle is] that you need to be an Analyst in order to be in charge of an industry and take decisions about criteria, which criteria to choose and indicators and also to have the full responsibility of the rating (Head of Research)'.*

Of utmost importance to become an Analyst, was the good execution and implementation of the instructions written in a set of key documents. One of them was the 'Top Research Rules', which comprised oekom's rating methodology and played a central role through the rating process. During her training period, the first author who was at the time a Research Assistant was expected to have read the rating methodology in extenso, studied it with attention, and show that she was able to implement it in all stages of the rating process.

> *'In general, the methodology would be the rules that an Analyst has to follow in order to provide a consistent and clear rating (...). Consistent means that following these rules allows the ratings to be consistent through an entire industry, and through the entire rating universe (...) because we are all Analysts, human beings with opinions, with different experiences, with cultural differences. (...) To avoid having just opinions that are expressed, we need to have those rules that orient and define the framework within which we are working (Teamleader).'*

The 'Top-Research Rules' detailed standard procedures about how to operationalise oekom's approach in the rating framework. They explained, for example, how and when to adapt standardised selection options, how to adapt the wording of the standardised content phrase, and how and when an Analyst could downgrade or upgrade the assessment. They also instructed Analysts about what source documents to use for the evaluation/grading (company sources and external sources). All information that was the basis for the score given to an indicator had to be very well documented in the 'Source' field, for instance stating the page number in long documents. While the documented instructions on the rating processes were exportable in a word document, the evaluation/grading grid with the choices of standardised selection options was only available on a logbook database.

2.4.3.2. Operationalising ESG Data into the Rating Structure

A standardised rating structure framed the assessment of positive criteria as well as of controversies in all three ESG dimensions based on company and non-company information sources. The continuous screening process of information sources included industry- and country-specific sources focusing on alerts, newsletters and reports from NGOs, press releases from governmental authorities, publications by experts or consumer organisations, and information from the media. The use of a search engine on the Internet was instrumental to screen ESG information, and Analysts did this search using a list of pre-defined keywords for all relevant indicators. The identification of relevant ESG performance factors within each industry was central to operationalise a rating, and all information susceptible to impact a company's rating was included in the rating structure.

2.4.3.3. ESG Dimensions and ESG Performance Indicators

The SRA's rating system was operationalized through two main pillars: 1) Society, which included the corporate governance dimension, and 2) Environment. The Society pillar focused on firms' actions regarding the protection and development of human society, and the Environment pillar on the conservation of the natural environment.

From a pool of approximately 700 indicators, *general* and *industry-specific*, the agency developed a rating framework in two parts (environmental dimension; social and governance dimensions), using an average of 100 criteria for each industry, to assess firms' societal behaviour. Drawn from the Frankfurt-Hohenheim Guidelines (Balz et al., 2002), these criteria were sometimes very complex and difficult to assess on one's own. They covered a large number of societal issues, where facts and circumstances were researched, collected and evaluated strictly following the above mentioned standardised structures and documented processes. Each category represented a societal issue and was divided into three sub-categories: topics, indicators and assessment and evaluation criteria. Categories, topics and indicators could at their turn be sub-divided. In the assessment and evaluation criteria section, two elements were evaluated: 'content' and 'coverage'. An overview of this rating framework can be found in Table 2.2.

TABLE 2.2 ESG performance factors commonly assessed at oekom research

E	FOR Environmental Performance Factors	– ECO-EFFICIENCY » Energy use » GHG emissions » Total waste » Water use » Paper use
S	FOR Social Issues Performance Factors	– STAKEHOLDER MANAGEMENT – STAFF: Freedom of association, Work-life balance, Job security, Health and safety, etc. – SOCIETY: Human rights, Community involvement, Influence on public policy, etc. – SUPPLIERS
G	FOR Corporate Governance Performance Factors (including Business Ethics)	– CORPORATE GOVERNANCE: Compliance, Board independence, Executive compensation, etc. – BUSINESS ETHICS: Code of ethics, Codes of conduct, Compliance programmes

Corporate Governance performance factors (dimension G) are general indicators, which are grouped under dimension S. General indicators were used to report the performance of firms independently of their industry while industry-specific indicators were used according to each industry, which allowed for a comparison between firms within the same industry. Each industry was thus classified in a 'sustainability matrix' representing the relevance of ESG impacts in that industry. This classification was determined by internal definitions and guidelines for general and industry-specific indicators, as well as by the impact potential business activities may have on the environment (environmental dimension) and on society at large (social and governance dimensions). The higher their impact in one of these two dimensions was, the higher the weight in that dimension. For example, the weighting rate for an overall ESG rating in the automobile industry was 40% for the social dimension and 60% for the environmental dimension. This meant that while this industry was considered to have a 'medium' or moderate social impact on society, its environmental impact was considered higher. Conversely, the retail industry had a weighting rate of 60% for the social dimension and 40% for the environmental dimension, while industries such as the textiles industry had a 50%-50% weighting rate (i.e. the social and environmental dimensions were equivalent). The classification of the industries was important because it was correlated to the minimum rating threshold (PRIME threshold) that the agency was attributing to an industry. Oekom defined minimum requirements of sustainability management for each industry, and The PRIME status was given only to firms who met these requirements. The CSP of a company was then evaluated on a twelve-point rating scale ranging from A+ to D-, (A+, A, A-, B+, B, B-, C+, etc.) and therefore indicated the investment quality of the company assessed. When the rating threshold set for the industry in the sustainability matrix was not met, the rating report of the rated firm was signaled as NOT PRIME, in addition to the global rating scale, from A+ to D-. In sum, following a best-in-class approach, '*a company is classified as 'PRIME' if it ranks among the world's best companies within the same industry and fulfils the sector-specific requirements defined by oekom research (best-in-class)*' (oekom, 2016).

Example: the rating of the social dimension. One example shall illustrate the way ratings were completed. In the 'Staff' category, Analysts assessed, for instance, the topic 'Freedom of Association and the Right to Collective Bargaining' and the main aspects it covered. These aspects were evaluated under three indicators: first, 'Policy on Freedom of Association and the Right to Collective Bargaining', second, 'Measures Regarding Freedom of Association with Severe Legal/Factual Limitations to Freedom of Association and the Right to Collective Bargaining', and third 'Major Controversies Relating to Freedom of Association'. In order to assess the performance of the company as regards this topic, Analysts were expected to collect all the relevant data, scrutinize and analyse readily accessible information, make sense of it, judge it, and interpret it in a way that investors understand the risks of a possible involvement of the rated company in the violation of these rights.

Figure 2.1 illustrates the rating framework used to assess and evaluate the topic 'Staff' in the 'Social Rating' dimension. The analyst focused her analysis of the topic based on a three-pronged indicator assessment: 1) policy assessment, i.e. existence or not of a policy on the topic and which aspects such policy covers, 2) measures assessment, i.e. which systems and controls are implemented to support the policy, and 3) controversies assessment, i.e. tracking of scandals and conflicts related to the topic, and how firms deal with them. The criteria 'content' and 'coverage' were supposedly assessed at the level of most indicators.

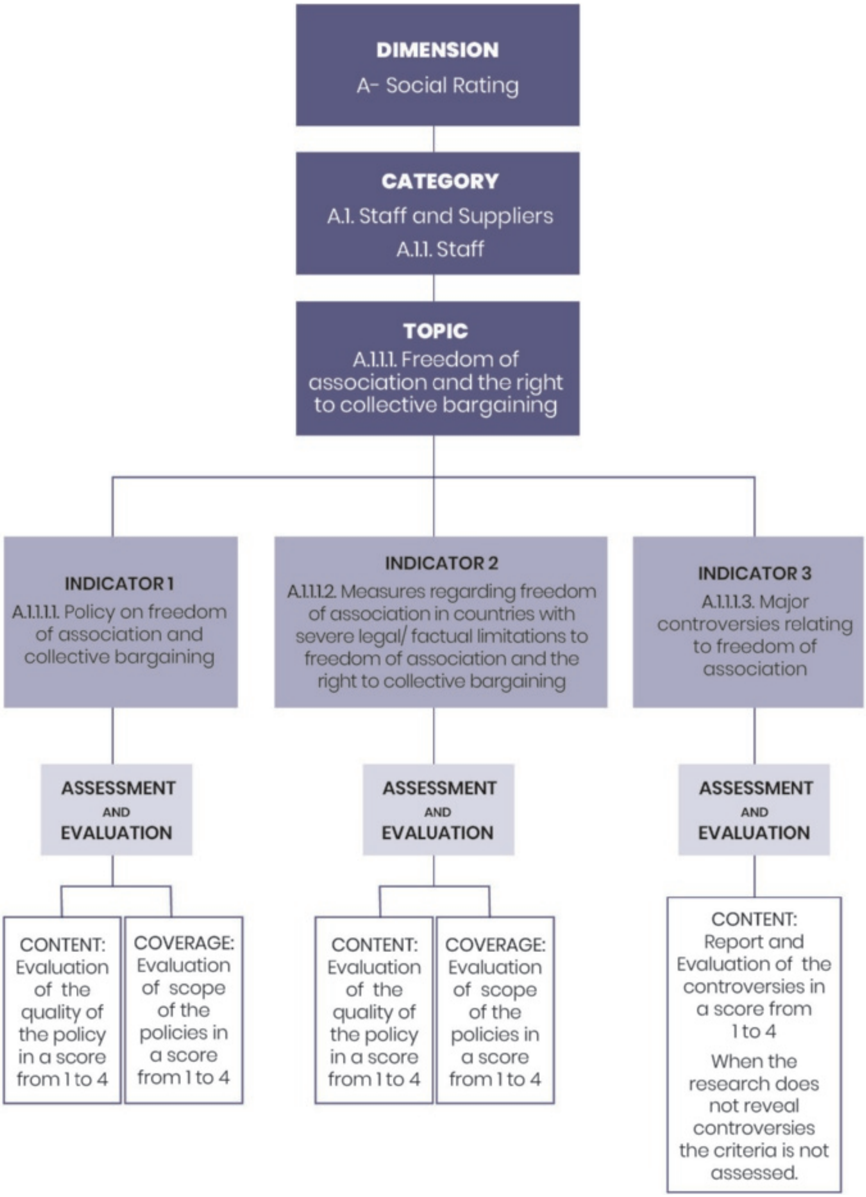

Figure 2.3 Social Rating of 'Staff' in oekom's Rating Structure

The principle of comparability. ESG performance factors had to be weighed against each other as well as against other general ESG performance factors. Establishing such a weighted ratings system, including the weighting of each individual indicator and criterion formed the foundation of the rating structure. Only then could analysts carry out their assessment and evaluation/grading. We also found that the weighing of ESG performance indicators according to a common rating framework, and then to their relevance in an industry as well as in other industries was designed to '*enable comparisons to be made between the subjects of the rating*', and, as such, constituted the art and craft of the analysts' rating practices. Comparability of the scores was thus another fundamental principle in the operationalization of the agency's measurement construct. For the agency, comparability ensured the consistency and efficiency of the rating outcome. For example, when every firm received a low grade on one ESG indicator, this did not help to differentiate between the good and the less responsible companies. As an analyst suggests in the following quote, finding indicators that were robust enough to effectively allow for comparability was hence guaranteeing the quality of the general ESG assessment, evaluation and, finally, the rating outcome:

> *'Ideally, an indicator is good and works. Then you update it (...) in terms of making the requirement a bit harder, (...) putting the bars that a bit higher (...) or identifying key issues within an industry (...) and those key issues should have at least 50% of the weight of the rating (Research Director and Teamleader).*

The standardised rating structure was a safeguard guaranteeing that even if each indicator was covering a different issue and had different requirements, the methodological approach and the framework of assessment would be the same for all industries.

Changes in the rating methodology. As new ESG topics emerged, indicators and selection options in the evaluation guidelines had to change. At time, this also included adopting new rules in the rating methodology. Analysts were in charge of tracking and proposing the relevant changes, updating versions of the rating structures both for their industry and their topics of expertise, hence defining and revising the evaluation/grading system. The topic specialists (e.g. labour rights, equal opportunities, data protection, climate change, eco-efficiency) were the ones setting out the evaluation guidelines for each indicator, with binding rules and customised rating scales, ensuring that the analyses of the companies were conducted consistently. However, it was a Methodology Board that decided on the improvement of the rating rules, on their consistency, as well as on certain technical aspects such as the programming of the database. Apart from deciding on rating rules, the board also discussed topics related to quality management, transparency, comparability and comprehensiveness of the ESG research. For its members, the quantitative and qualitative assessment had to establish, beyond any doubt, how firms should be assessed and evaluated in the rating structure. The objective of this Methodology Board was to continuously update and improve the methodology while maintaining the continuity and comparability of the rating results overtime.

2.4.3.4. A Rating Process Relying on Discussion Processes

Before a decision on any aspect of the methodology and rating process was taken, numerous meetings between Research Team members were held. At the time when the first author joined oekom, methodological inputs and updates regarding, for instance, what information to collect, how to deal with the sources of information, how to write relevant content, or how to grade the assessment were discussed in periodical research meetings as well as with specific organisational bodies such as the Scientific Advisory Board, the Rating Committee, the Team Leader Board, the Methodology Board, or the Working groups. By promoting a culture of knowledge and expertise transfer, the agency was thus helping Analysts not just only to follow internal principles, guidelines and procedures but also to define, redefine, and co-construct them in interaction. The organisational structure fostered this culture of discussion and dialogue. Numerous standard procedures, well-documented processes, and other communicative dynamics (e.g. periodical internal meetings, reviews, proposals, recommendations) were the backbone of the methodology and rating processes. The goal of such organisational structures and communicative dynamics was to empower analysts in their capacity to deliver reliable ratings and sound corporate rating reports. Each analyst was, therefore, in a position to do, to communicate and co-construct in a joint common spirit.

For example, analysts in charge of an industry had, at times, to change the way an indicator was operationalises in their industry, select a new indicator, change an existing one or remove one from the rating structure. This decision was an important part of the rating process, and as a result always needed to be communicated and thoroughly discussed upon. Since the creation of oekom, decisions about rating procedures were discussed during research meetings, collectively, and voted by show of hand by all members of the Research Team led by the Head of Research. Such 'democratic culture' in the decision-process was praised by a long-standing member of the Research Team as follows:

> '*What I really learned at oekom was this culture of discussing, (...) we regularly had meetings, we discussed single cases, how we would evaluate this or that. That created a joint common spirit at oekom, how we see things and how we take decisions. It was very democratic, a democratic culture. I learned a lot (Head of Research).*'

The exchanges between Junior Analysts, Analysts and Senior Analysts in regular meetings was said to be a strong pillar of the agency's sound development. Because analysts had to work on all sets of criteria, regular transfer of knowledge strengthened their roles in the assessment and evaluation of complex indicators. To that end, Junior Analysts needed to have the '*right attitude*', and '*the mindset to learn more every day*'.

As the SRA grew, the organisational structures had to change. However, it was important to maintain the internal discussion dynamics, and aside from the Methodology Board three working groups were created: Content, Rules and Processes. Analysts wanting to change certain aspects of their rating structure had then to meet with members of these working groups first, the working group would then discuss how these changes were affecting the quality of the general rating structure and other rating procedures before the Methodology Board decided on them.

In addition to ensuring and improving the quality of the research, these meetings were also to transfer rating knowledge and expertise among all level of analysts. As the Head of Research pointed out, having '*properly trained analysts*', '*experienced analysts who have stayed a long time with the* *rating agency*', and '*with whom you sit together in an exchange*' was ensuring stability in the communicative processes. Discussions and exchanges with experienced analysts were crucial for making complex decisions as well as for ensuring efficiency in the control processes. For instance, when young analysts were faced with surprising deviations or unusually good or bad performance when rating a company, they had to immediately reach out to an experienced Analyst well acquainted with industry averages, trends and benchmarks, as well as with company trends and earlier performance. The experience of the Research Team was, therefore, an important factor in the implementation of the rating process. To that effect, the low staff turnover was reinforcing these communicative dynamics. Thus, in 2013, oekom's analysts had an average work experience of 2,7 years, Senior Analysts: 6,2 years, Research Directors: 9,3 years and the Executive Board (CEO and COO): 17,5 years.

> '*The other important point is the quality of the research in terms of expertise. (…)[At oekom], the complex decisions, the qualitative subjective assessment of some topics, are really done by Analysts, properly trained Analysts, not by machines, analysts with whom you sit together in an exchange, experienced analysts who stayed a long time in the company, and a comprehensive set of indicators with a certain depth in the research (Head of Research).*

As this quote illustrates, our research showed that it was not enough to rely on standardised structures and documented processes to conduct a meaningful and reliable assessment and evaluation/grading of ESG performance factors. In order to guarantee the quality of the ratings, analysts needed the 'Top-Research Rules' and the rating methodology to be strongly supported by discussion processes. As the Head of Research pointed out, the rating processes rested on regular interaction among members of the Research Team and, through these interactions facilitated by the organisational structures. Analysts were co-constructing the rating methodology and the rating processes as a whole. oekom was creating the conditions for such dialogues and discussions coming to a decision regarding how a situation should be evaluated or responded to. As the Head of Research pointed out, the rating expertise was transferred via a 'culture of discussion', which we describe as the communicative constitution of oekom.

2.4.4. Communicating and Relating

2.4.4.1. Engaging in Dialogue with Firms and Investors

Throughout its written and verbal communication, the SRA's leitmotiv was 'to have an impact on society through the economy'. Based on their motivation to act as social actors for a sustainable world, a two-fold strategy backed this leitmotiv. The SRA engaged regularly with two types of actors from the business world: investors (their clients) and investee companies (the rated companies). The SRA's transformative objective was best illustrated in the following quote:

> *'In a direct way, we try to achieve that our clients get meaningful information. Indirectly, we also want to make the economy sustainable on the whole' (COO, former Head of Research).*

Thus, endowing its social ratings with a communicative agency, the SRA was impacting investors in their investment decision-making process on the one side, and influencing the investee companies on the other side, hence contributing to a more sustainable economy.

2.4.4.2. Relating with Investors

Very early on, oekom founders were prompted to think that they could succeed with their social and ecological goal by helping investors '*understand what are the key issues for specific industries and therefore for specific companies*' so that these investors could directly influence the companies interested in their investments (Interviewee 6, 2016). Therefore, the analysts that they hired had to perform an educational and pedagogical role with the companies they were rating, not only about ESG issues but also about the instrumental motives of actors of the investment field.

> *'We manage to make them see the positive impact of sustainability and to show that it has a positive impact on the performance of the company, on the economic performance of the company, (…) that sustainability is not only (…) a moral thing but has an important impact, financially and economically on the company, on their performance, (…) on share prices, and on profit, and at the end, also on shareholders (Senior Analyst).*

Our analysis showed that one of the agency's central role was relational by interacting on two sides (clients/investors and rated companies) as an educator and an expert interpreter of non-financial information. Such information was often qualitative, therefore difficult to analyse and estimate objectively, and was sometimes written in a technical language, often incomplete, concealed or not easily accessible. This role proved to be far more than the one of mere information providers often attributed to SRAs. The Research Director and Teamleader we interviewed reported that this interpreter role was essential for investors because the SRA not only provided information but was also able to '*play or work on the weightings*' of a variety of indicators in the rating framework, and to '*put a weight on industry-specific indicators*' as well as on general indicators.

As the founders realized that they could transform firms' business practices by influencing the capital market, they had to define specific target groups in the business world and provide them with products and services catering their specific needs. Nine categories of clients were identified (fund managers, church investors, pension funds, foundations, asset managers and investment advisors, insurance companies, lending and project finance, non-governmental organisations), and companies. They were all offered a 'comprehensive package of research services for the integration of ethical, social and environmental aspects', which included seven types of products and services: the oekom Universe (social ratings, rankings and indices covering issuers of equities and bonds); the ORBIT database (oekom Responsibility Benchmarking and Information Tool: an online database providing direct access to the detailed information contained in oekom's corporate ratings, opportunities and risks, comparison of sustainability performance within and between industries); Rating Reports; a Portfolio Analysis service with an option to customize ESG criteria; a Controversial Weapons Monitor database, which offers a list of companies and their subsidiaries worldwide involved in the production of controversial and banned weapons or suspected of manufacturing them; oekom Engagement compass, a tool that refers to an approach, which consists in contacting, on behalf of an investor, management personnel directly in order to achieve improvements in companies' sustainability management; and Risk Analysis and Due Diligence (The impact of SRI, oekom, 2013).

2.4.4.3. Relating to Rated Companies

We already insisted on the founders' strong sense of commitment towards sustainable business, and determination in raising awareness on sustainability topics at a managerial level and impacting firms' business practices. From a social entrepreneur's perspective, oekom was acting as a social advocate, using its social ratings as effective communicative instruments to penalise or reward business practices. The SRA expected the firms it rated to become more socially and environmentally friendly through their evaluation of ESG performance factors, but at the same time wanted no affiliation or business agreement that could risk the validity, objectivity and reliability of its assessments. Thus, to comply with one of the SRA's core principle, independence, oekom was not conducting consulting services for companies, which could help them to improve their ratings. The SRA's core clients being the investors and not the firms, the SRA opted to deliver independent social performance analysis and social ratings.

> *'The offers are exclusively for the purpose of providing information about what we see as being current strengths and weaknesses. We purposefully do not provide more extensive advice on steps to improve sustainability management, so as not to create any conflict between independent evaluation and feedback consultation (Research Director and Team leader).'*

However, firms could either buy standardised Corporate Rating Reports, or an Industry Report, which contained comparative presentations and detailed analyses of companies, as well as benchmark information (oekom, 2013). These offers were designed to encourage professional rating dialogues with rated companies and trigger social performance. As firms were able to compare their sustainability performance with other peers, and to better identify their strengths and weaknesses, the SRA was acting true to its original social objective, 'transforming the economy'.

The feedback process: translating and interpreting non-financial information. Our findings showed that the agency was acting as a 'persuader' and a 'disseminator'. The rating process included various steps that we overviewed (data collection, data analysis, assessment and evaluation/ grading) were completed and before a final CSP rating outcome was assigned, Analysts engaged in a dialogue with the assessed companies about their social and environmental performance. This feedback process formed an essential part of the rating process: the Analyst in charge of the rating would use the opportunity to raise the awareness of their contact person on specific ESG issues. Analysts managed their relationships with this contact person, in most cases a sustainability manager, by picking up on 'objective' and 'corporate' sensitivities. The exchange is described as follows by an experienced analyst:

> *'They are not always happy with our assessment but they accept it' (CEO and founder) and, 'sometimes, they try to see how they could get out of the situation (...) It is like a game (...) but you have to agree to disagree' (Teamleader).*

The rating approach and the broad lines of the rating methodology was publicized on oekom's website. However, the detailed evaluation grid for the hundreds of indicators included in the rating framework was only available to the rated companies throughout a 'feedback process', which was taking place approximately every two years. Excerpts of a feedback exchange taken from an anonymised rating is provided in Appendix F. It will present a sample of indicators and criteria of oekom's rating at the Social dimension in the category 'Staff'.

Oekom management viewed this communicative dynamic as a key step of the rating process, and to that effect, all new members of the Research Team received, in the form of a flowchart, a detailed process description of how to identify and verify who the right contact person at a rated company was. Firms always received a phone call, followed by an E-mail with the contact details of the analyst in charge of their rating. Once the first draft rating report was completed by the Analyst, each rated firm was receiving targeted information with details of the qualitative and quantitative assessment (content and coverage) and the evaluation/grading (individual and aggregated grades), including their weight. This process gave firms, generally through the voice of a CSR or sustainability manager, an opportunity to contact oekom, ask questions on the rating process or the rating methodology, contest the rating assessment, provide clarifications, and make corrections when necessary.

> *'We do not advise the company on what they could do to reach oekom PRIME but our ratings provide a lot of transparency. You can see the grade of each indicator, you can see the weight of the indicator, you also have the [missing] information, [...] if you put one and one together you can understand which [criterion] is an important element [in our assessment framework] and that obviously the higher the percentage, the better the grade will be (Research Director and Team leader).'*

Thus, all rated firms were receiving, for free, a full draft of their rating report, which enabled them to understand oekom's rating and to contribute to the process by sending back comments to the Analyst in charge of their rating before the rating report was definitively finalised. Firms that paid a close attention to these reports could easily find out which information was missing in their communication in order for them to get a higher score. After the feedback process was concluded, and the final rating communicated to both oekom clients and the rated firms, the CSR or sustainability officer who was the point of contact at the rated firm had the opportunity to continue the dialogue with oekom via a questionnaire called 'Now it's your turn to rate us!' (cf. Appendix G).

In sum, our findings showed that the SRA's rating process was built on guiding principles of sustainable development and its own understanding of responsible behaviour characterized by distinct levels of assessment and evaluation/grading regarding societal issues. The rating structure was operationalised through a three-dimensional approach on societal issues (ESG) and relied on standardised structures, documented processes, which were all supported by discussion processes. They constituted the norms and dynamics underlying the evaluation process leading to the rating outcome. It was, thus, through a mix of organisational and communication structures that rating process was implemented.

2.5. DISCUSSION AND CONCLUSION

Drawing from the specific case of the German SRA oekom, our goal in this section is to shed light on the social reality of their CSP measurement tools. Our research provides a central contribution to the CSP debate by taking an explicitly dynamic and social-constructionist perspective on SRA practices. So far, SRAs' metrics have often been used as taken-for-granted tools to measure social performance, with a clear purpose to make the business case of CSP (Busch et al., 2016; Mattingly, 2015). Very few studies have looked at SRAs as 'social actors' with a normative and ethical purpose to shape the world (Arjaliès, 2010; Gond, 2006; Elbasha and Avetisyan, 2018). In our case study, we show how foundational principles of sustainability lied behind the construction process of our SRA's ESG metrics, and of its rating process. The agency was involved in various dialogical exchanges, which influenced organisational outcomes internally and externally. Central in the SRA's organisation were the discussions held during regular meetings between analysts at all levels, and in their respective organisational structure, with the objective of educating investors and influencing firms' behaviour. Together with the feedback process between analysts and CSR/ sustainability managers, these discussions were part of communicative dynamics underlying the SRA activity.

We shed light on the role of discussion processes in the rating processes of our SRA. The analysis of these processes helped to understand how debates about rating translations and interpretations are constitutive of organisational and social change. The practices initiated by its founders and enacted by the members of its Research Team created in its everyday life, lines of dialogues between firms and investors in order to advance sustainable development as a guiding principle towards 'a more sustainable economy' (Figure 2.2). With its culture of discussion, both internally and externally, the SRA adopted a 'communicational perspective on ethics and corporate social responsibility' (Cooren, 2018) and a 'communicational way of approaching the world' (Cooren, 2012).

In that sense, oekom's rating approach attempted to bridge the gap between society and business and to take a transformative role. Analysts used and interpreted information that they considered relevant to measure ESG performance factors thus emphasising the interaction between financial and ethical or societal dimensions. Our findings suggest that the becoming of oekom as an SRA is a process by which its members socialise and develop thoughts and actions for social change (Anteby et al. 2016). SRAs should not only be seen as 'economic actors', providing taken-for-granted social metrics, but also as 'social actors', 'advocates' or 'activists' with a clear agenda about how the world should be (Arjalies, 2014; Déjean et al., 2013; Elbasha and Avetisyan, 2018; Gond, 2006; den Hond and de Bakker, 2007). We further develop the debate on the role of SRAs and complement studies that have highlighted the importance of CSP measurement as tools for enhancing legitimacy and power in the CSR field (Déjean et al., 2004; Slager et al., 2012).

2.5.1. SRAs Practices as Lines of Dialogue

Our model in Figure 2.2 illustrates how the SRA we studied was opening lines of dialogue between society at large, firms and investors, bridging the gap between society and business.

TABLE 2.4 SRAs practices as lines of dialogue between Society and Business

Through its rating practices, the agency brought societal concerns to the forefront of the discussion within firms and in the investment world, thus advocating society's expectations towards the business world to act responsibly. We distinguished four types of dialogues. First, the agency was in a direct dialogue with society on social concerns, selecting the relevant environmental, social, and governance (ESG) issues to include into its rating framework. Second, setting sustainable development as a guiding principle of responsibility, the agency was fostering a culture of critical internal dialogue to continuously improve its rating practices. Third, the SRA Analysts were assessing, evaluating and measuring firms' CSP, and as such were entering in a dialogue through a feedback process with managers about their CSR practices. Finally, as investors were relying on the social ratings for their investment decisions, they needed to enter into a dialogue with the SRA concerning the non-financial information, its translation and interpretation. Through the communicative agency of its social ratings and the process of interaction it encouraged the SRA spoke with one voice, in Cooren's (2018, 2012) terms ventriloquising society's needs and ESG challenges.

As in previous research, analysts in our case study also engaged in desk research, data collection, data classification, data analysis, data interpretation and measurement (Déjean et al., 2004). However, in this specific SRA, philosophical values and principles were the foundations that shaped their practices of measuring corporate social performance, refuting thus the separation between business and ethics (Freeman and Auster, 2011; Wartick and Cochran, 1985). The level of methodological quality when evaluating the performance of an investment target depended largely on the analysts' shared understanding of responsible corporate behaviour. This meant that the SRA's CSP measurement construct encompassed a definition of firms' social issue participation (Clarkson, 1995; Wood, 1991; Wood, 2010) and of processes of corporate social responsiveness (Carroll, 1979; Clarkson, 1995; Wood, 1991; Wood, 2010) that the agency had identified and then developed according to its understanding of what was a responsible behaviour (Donaldson and Preston, 1995; Gond and Crane, 2010; Schreck, 2011).

Drawing on the analysis of rating processes and practices at the agency, we suggest that another central step in the construction process of ESG metrics was the determination of ‘social worthiness’. Social worthiness comprised values and principles supported by a rating methodology that was bearing strong marks of ethical, social and environmental performance factors. The methodology design, coupled with the analyst’s experience and skills ensured the consistency, objectivity and quality of the ESG assessment. As we have exemplified in our excerpt of a feedback exchange (Annex Z), when internal and external actors discuss the ratings, they engage in communicative dynamics by negotiating and reinterpreting indicators, weights, and missing information in the rating structure. They recognise and acknowledge the agency of oekom’s rating assessment and co-construct the SRA as a social phenomenon.

To analyse oekom’s internal workings, we adopt Cooren’s (2018) perspective on CSR, which draws on Communicative Constitution of Reality, and theorize that the agency’s beliefs, values and identity have shaped its becoming as an accidental SRA through the way its founders and Research Team operationalised its rating schemes relying on discussion processes (Cooren, 2012, 2018; Cooren et al., 2011). The SRA actually made this ‘open dialogue’ an integral part of its assessment and evaluation/grading of firms’ behaviour putting it at the centre of its rating process, ready to be attacked and debated. What this SRA has ventriloquised from society are ‘matters of concern’, which once translated into ratings become ‘matters of authority’ for business (Vásquez et al., 2018). The communicative and relational dynamics that lie at the essence of the SRA’s rating processes create ‘matters of debate’ with internal actors – individually and collectively – and with the business actors, mainly investors and rated firms (den Hond and de Bakker, 2007; Vásquez et al., 2018). The more ratings become ‘matters of debate’, the more they are giving form to reality, and the more SRAs are granted social reality (Cooren et al., 2011). Interested parties should acknowledge SRAs’ transformative power, and pressure for more interactions in the field of CSR and CSP. The internal and external lines of dialogue that the agency developed (training, meetings, discussions, feedback) can be seen as a transformative power in which the SRA becomes the advocate of society’s interests.

2.5.2. Limitations, Contributions and Future Research

The single case nature of our study is limiting the findings of our analysis, specifically the knowledge about the complexity of evaluating and measuring ESG performance factors. Oekom's normative approach and proactive assessment practices might well be unique or incomparable to other SRAs. However, our goal was more to continue building an understanding of SRAs as a social phenomenon. Thus, the study offered an empirical contribution to the field of corporate social performance (CSP) by exploring the internal practices of an SRA and by detailing the internal processes by which it operates. We took an in-depth look at one SRA's specific practices and our findings suggest that their social rating methodology is in constant evolution to match changing societal concerns. The way its weighting system, its sustainability matrix, and its PRIME threshold were developed and implemented, and the way analysts conducts regular dialogues with the firms they rates indicates that the assessment and evaluation methodology is constantly being driven by the demand of responsible investors and the changing nature of social and environmental challenges. The SRA's vision, mission, guiding values and principles underlying the rating methodology, however, remained unchanged.

Our research provides both academics and market participants with insights to understand what lies behind the ratings using in particular measurements of ESG performance factors. Since the final and key step in this rating process for users of such measurement tools is the grading of ESG information, actors need to be aware of the fact that, paralleling traditional quantitative financial statement, the evaluation of non-financial measures is often based on normative statements. It is, thus, the duty of SRAs to make a conscious effort to be 'objective' and to require of its Analysts a high level of qualification, expertise, and experience.

Finally, since SRAs rely on a complex rating process, on deep knowledge in ESG matters and also on professional expertise in the field, they have an ever more valuable role in interpreting and translating societal issues for many stakeholders, particularly those active in financial markets. Therefore, further research should continue to debunk the complex and multidisciplinary work needed to produce ratings. Researchers should explore other SRAs' structures, operational processes, and rating practices in order to better understand the industry and its challenges. This implies that more qualitative and quantitative insights on the 'SRAs – firm' relationship are needed. By investigating, for instance, the collaboration processes between SRAs and firms would help explain how SRAs are able to influence firms' sustainability efforts. Likewise, research should examine to which extent SRAs' mission, purpose and core values enhance shared value creation at firm level. The question of ethics, values and purpose of the firm could tentatively be put, once more, in the limelight of management research.

CHAPTER 3

LETS TALK!
HOW FIRMS RESPOND TO BEING RATED ON ESG ISSUES

I wrote this paper with Kristina Lauche and Vera Blazevic. Previous versions of this paper were presented at the 30th European Group of Organisational Studies Colloquium, 3-5 July, 2014, Rotterdam, The Netherlands; the 1st International New Business Model Conference, 16-17 June, 2016, Toulouse, France; and the 3rd International CSR, Sustainability, Ethics & Governance Conference, 1-3 August, 2016, Cologne, Germany.

ABSTRACT

The practice of corporate social responsibility (CSR) reporting is widely encouraged by investors. Social rating agencies use the information disclosed in CSR reports to assess firms' environmental, social and corporate governance (ESG) performance to provide a social rating to investors. Firms, however, communicate in varying degrees on how they address ESG issues and their stakeholders' concerns. This paper addresses the question if and how social rating agencies (SRAs) impact how firms report on their CSR policies and practices. Using a unique set of data from a prominent SRA, we build on stakeholder theory combined with the accountability literature to explore the underlying mechanisms leading firms to report on ESG issues. Through our qualitative and quantitative analysis of the CSR reports and rating reports of 25 global telecommunications service providers over a 15 year-period, we identified and classified firms in three categories: the 'rising stars' are those firms whose rating improved over the 15-year period; the 'steady stars' are those firms who maintained their level of rating over the same period; and, the 'falling stars' are those firms whose rating decreased over the same period. Our findings led to three conclusions: 1) firms that addressed and incorporated the expectations of our SRA in their reporting improved their corporate social performance; 2) firms that failed to address these expectations saw their corporate social performance decrease; and 3) firms that responded to our SRA's invitation to engage in a feedback process were more willing to adapt their CSR reporting practices, hence received higher ratings.

"It isn't enough that managers are signatories to the United Nations - backed Principles for Responsible Investment. Managers have to demonstrate to us, and our stakeholders, that they apply environmental, social and governance principles in their day-to-day management of our money."

Michael Taylor, Chief Executive,
London Pensions Fund Authority, UK
(Axa Investment Managers, 2012)

3.1. INTRODUCTION

As the quote above illustrates, investors challenge managers to pay attention to their stakeholders, and 'demonstrate' corporate responsiveness to environmental, social and governance (ESG) issues. It also shows that investors want to broaden their perspective on the business of the organisation they invest in, therefore tracking issues that would not have necessarily attracted their attention from a purely financial viewpoint (Renneboog, Ter Horst and Zhang, 2008). Their increasing quest for corporate social responsibility (CSR) and accountability entices that relevant ESG information be researched, analysed and assessed at firm-level (Chatterji and Toffel, 2010, Girerd-Potin, Jimenez-Garcés and Louvet, 2014; Mattingly, 2017; Mattingly and Berman, 2006; Searcy and Elkhawas, 2012; Slager, 2015; Slager and Chapple, 2016). Thus, when making their investment decision, some investors look at specific ESG criteria and link them to what they consider fundamental drivers of asset value in the long run (Busch, Bauer and Orlitzky, 2016). For that, they rely on external social rating agencies (SRAs) and related organisations to provide them with in-depth research and metrics such as social ratings that will help them determine the ESG/corporate social performance (CSP) of the firm they want to invest in (Aktas, et al., 2011; Chatterji and Toffel, 2010; Graves and Waddock, 1994; Orlitzky, et al., 2003; Searcy and Elkhawas, 2012; Slager and Chapple, 2016; Waddock and Graves, 1997).

Companies' organisational policies – e.g. codes of conduct - and CSR-related practices become the object of non-financial evaluation and measurement. During their evaluation, SRAs assess policies and practices related to CSP/ESG performance factors based on general and industry-specific ESG issues. Issues include, for example, firms' attentive and responsive approach towards climate change, supply chain management, product responsibility, freedom of association, human rights, health and safety, and business conduct - related issues such as antitrust violations, corruption, or accounting fraud. In addition, SRAs monitor violations and controversies occurring in firms' day-to-day business activities as they become public, which sometimes leads to downgrades in the firms' overall CSP results. The evaluation of CSP/ESG performance, delivered in the form of rating reports and social ratings, implies that SRAs have to scrutinise firms' organisational practices in order to uncover their commitment to a traceable and verifiable

CSR strategy (Ameer and Othman, 2012; Chelli and Gendron, 2013; Cheng et al., 2014). Thus, firms need to pay special attention to the evaluation SRAs make of their ESG performance through social ratings (Adam and Shavit, 2008; Chatterji and Toffel, 2010; Scalet and Kelly, 2010; Slager, Gond and Moon, 2010).

In response to growing public calls for greater corporate disclosure, transparency and accountability to stakeholders, as is the case for climate risks (World Economic Forum, 2017) for example, firms have started to adopt CSR reporting strategies and to develop social responsibility and accountability measures. In increasing numbers they voluntarily communicate their commitment to social and environmental issues and their engagement in specific CSR activities in formal, stand-alone, and publicly available CSR or sustainability reports (Guenther, Guenther, Schiemann and Weber, 2015). By disclosing information about their actual policies and practices, and reporting on their management of stakeholder relations, firms explain how they take into account the concerns of their various stakeholders. Through organisational systems of social responsibility and accountability initiatives such as the United Nations Global Compact (UNGC), the Global Reporting Initiative (GRI), and the Dow Jones Sustainability Index (DJSI), firms allocate distinct organisational attention to ESG issues and their impacts on the business. They expect, thereby, that the reporting practices around the implementation of CSR practices will enhance their social performance and lead to a favourable evaluation by SRAs (Gond and Crane, 2010; Perego and Kolk, 2012). In fact, SRAs' rating activities are found to help reduce information asymmetry between companies and their stakeholders (Chatterji and Toffel, 2010; Slager and Chapple, 2016). Viewed as financial market intermediaries, SRAs' role goes beyond the one of information provider, especially since important processes and mechanisms around their measurement tools 'might spur higher levels of CSP' (Slager and Chapple, 2016, p. 401). Moreover, the institutionalisation of CSR through the development of this stakeholder-oriented approach to ESG is likely to affect managerial attention to societal issues and determine firms' reporting of their corporate social responsiveness and engagement with stakeholders (Bundy, Shropshire and Buchholtz, 2013; Crilly and Sloan, 2012, 2014; Donaldson and Preston, 1995; Mitchell, Agle and Wood, 1997; Ocasio, 1997). Answering the call for more research on mechanisms and processes that may influence

CSP, we examine the relationship between social ratings and CSR reporting (Adam and Shavit, 2008; Chatterji and Toffel, 2010; Scalet and Kelly, 2010; Slager and Chapple, 2016; Waddock and Graves, 1997).

Our analysis focuses, therefore, on the influence of social ratings on CSR reporting. The aim of this paper is to investigate how the ESG performance evaluations that SRAs provide in their social ratings impact the way firms give account of their CSR practices in their reporting and whether and how firms react to SRAs' ratings. As such, the findings will show how firms give account of their CSR strategy, their policies, principles and guidelines, and their activities, specifically to the SRAs as third-party external assessment organisations. For that, we analyse the relationship between a specific social rating agency's rating reports of global telecommunications service providers (telcos) and these firms' CSR reporting as regards key ESG issues that the SRA has identified over a ten-year period. We look at 25 global telcos and examine, in particular three key elements of this relationship: changes in rating, changes in reporting practices and the channelling process linking these two. More specifically, the changes in rating refer to changes in the SRA's rating methodology and rating weightings, and the changes in reporting practices refer to changes in firms' reporting of stakeholder management practices, CSR actions and social accountability practices. As a general effect, we explore how firms respond to an SRA's prior ratings and show how social ratings bring value to firms' organisational reporting practices. Hence, we address the following research question: *How do firms respond to social rating agencies' ratings in reporting on ESG issues?*

In line with our research objective, we aim at understanding better how changes in rating practices influence changes in reporting practices of CSR actions at firm level, and identify the mechanisms that channel this influence. We provide an analysis of the role of social ratings in drawing firms' attention towards ESG issues, and shed light on some underlying mechanisms leading firms to report on social and environmental aspects of their business activities. Our analysis contributes to the CSP literature by highlighting the importance of the feedback process engaged between the SRA and the firms, and by proposing the ESG issue attention model. We also show that firms' attention to social ratings can be effective in influencing future ESG ratings when responding to concerns regarding the ESG key issues identified by the agency.

This paper is structured as follows. First, we describe the theoretical background supporting both the analysis of SRAs' external assessment of ESG performance factors and of companies' reporting practices. Next, we describe our methodology, a qualitative and quantitative analysis of the ESG evaluation of 25 telcos, together with a more detailed analysis of 6 telcos over a 15-year period of time, and introduce the variables we use to test the relationship between social ratings and CSR reporting. Finally, we present and discuss our findings and their implications.

3.2. THEORETICAL BACKGROUND

In our study, ESG performance is a multidimensional construct (Carroll, 1979), which refers to the measurement of firms' behaviour regarding environmental, social and corporate governance issues, that is both the assessment of their past efforts and considerations regarding their 'future outlook' in addressing these issues (Chatterji, Levine and Toffel, 2009). Our study draws on stakeholder theory (Clarkson, 1995; Freeman, 1984; Wood and Jones, 1995), the research on stakeholder-related issues to CSR and CSP (Wood, 1991), and accountability literature (Roberts, 2009; Roberts and Scapens, 1985), and specifically the managerial view that incorporates dimensions of social responsibility (Gray, 2002; Gray et al., 1995, Gray, 2010) to address how expectations of external stakeholders, namely SRAs, become relevant in influencing firms' response to ESG metrics in their reporting, thus shaping firms' organisational practices. We focus specifically on how firms' reporting of ESG performance is affected by their prior social ratings and interactions with SRAs. SRAs provide ESG performance measurements with indicators of corporate social action, and take into account how the concerns of the direct stakeholders of a company (e.g. its consumers, employees, suppliers or investors) are addressed, and which systems are in place to ensure accountability regarding societal concerns (Arjaliès, 2010; Mattingly and Berman, 2006; Sharfman, 1996).

3.2.1. Stakeholder Theory: a Central Paradigm for the Business and Society Field

Stakeholder theory (Freeman, 1984) is central for scholars interested in studying the main drivers of CSR (Brower and Mahajan, 2013). From an instrumental perspective, the theory uses the stakeholder model as a central paradigm for the business and society field and focuses on the managerial aspects of the relationships between firms and stakeholders (Jones, 1995). Such relationships encourage multipartite arrangements and multi-stakeholder management forms, which play a role in structuring the way firms react and adjust their response to specific relationships, according to either their importance and power (Donaldson and Preston, 1995) or the saliency or level of influence of potential stakeholders (Mitchell, Agle and Wood, 1997). Taking on the importance of stakeholder management as an instrumental approach to stakeholder theory, scholars have focused their interest on stakeholders' firms' actions and responses (Laplume, Sonpar and Litz, 2008; Mitchell et al., 1997). Laplume et al.'s (2008) comprehensive review of Freeman's (1984) contributions to stakeholder theory informs us of the interest of scholars wanting to identify the drivers that push business organisations to exercise their social responsibility and the degree to which managers give priority to competing stakeholders. However, researchers continue to point out that there is a need to better address the question of how exactly these organisations understand and make sense of multiple stakeholder needs and expectations, integrate multiple stakeholder issues with the objective of improving their sustainability performance, and give account of their organisational practices to acknowledge those concerns (e.g. Aguilera et al., 2007; Gray, 2010; Marcus, 2012; Schwartz and Carroll, 2003; Schwartz and Carroll, 2008). If stakeholders can affect the achievement of an organisation's objectives, it is important to identify the mechanisms that can influence management decisions in that relationship. We combine the stakeholder management approach with the accountability literature to further examine how firms give account, in their reporting practices, of SRAs' ratings and their stakeholder management approach.

3.2.2. Accountability Literature: ESG Performance Factors and CSR Reporting

Among the organisational practices that firms implement to channel their response to growing pressure from multiple stakeholders over social issues, reporting practices play a key role (Van den Brink and Van der Woerd, 2004). Since the 1980s, following the demand from socially responsible investors (SRIs), a growing number of corporations have started voluntarily to produce formal and also extra-ordinary reports on CSR showing what they understand about CSR and CSP by disclosing their corporate social and environmental involvement (Abbott and Monsen, 1979; Adam and Shavit, 2008; Tschopp and Huefner, 2015). As investors use more and more information about ESG performance for deciding on their portfolio investment, firms look for adequate standards to provide the financial markets with the information they need on ESG issues. In spite of the numerous CSR standards that offer guidance for assessing, measuring and communicating social and environmental performance, some firms still receive poor ratings after having been scrutinised by SRAs (Chatterji and Toffel, 2010; Rasche and Esser, 2006; Rasche, De Bakker and Moon, 2013). For that reason, organizations are more likely to publicly respond to those who rate them in CSR reports. Simultaneously, a number of scholars draw on social accountability reporting to support their analysis using responsibility principles in reference to reporting procedures (Adams, 2002; Adams, 2004; Adams and Frost, 2008; Adams and Larrinaga-González, 2007), thus providing organisations with insights into how management accounting can supply information for decision-making (Adelba, 2011).

When presenting stakeholder management frameworks, most studies use accountability concepts in relation to systems of traditional accounting and management accounting practices, which play an important role in the analysis of non-financial disclosure, reporting practices and response processes (Aguilera et al., 2007; Roberts and Scapens, 1985). As they focus more on non-financial performance indicators, the resources needed for accountability reporting differ from traditional financial reporting, although they can come with measurable economic consequences. However, they often fail to analyse how accounts of organisationally responsible practices are integrated into organisational and managerial processes.

In this paper, account-giving shall be defined as a process developed by business organisations to render account, explain and give meaning to their way of conducting their business by reporting on their CSR policies and practices (Roberts and Scapens, 1985). In particular, firms' reporting practices give account of their corporate social action and stakeholder management and simultaneously react and respond to ESG performance assessment and evaluation (Reinecke, van Bommel and Spicer, 2012). For example, reporting on ESG-related organisational practices is a way to communicate on how firms adjust and change their ESG performance in response to third-party ratings (Chatterji and Toffel, 2010). Reporting on how well firms manage their stakeholder relationships from the three ESG dimensional paradigm represents, therefore, an effective mechanism to address firms' actions or omissions (Gilbert, Rasche and Waddock, 2011). Changes in reporting become a proxy for good or bad performance and an essential process of organisational accountability (Delmas and Blass, 2010; Rasche and Esser, 2006). In that sense, we highlight the importance of stakeholder pressures on corporate social responsiveness by establishing the link between SRA's evaluation of ESG performance factors and firms' CSR reporting.

Our approach is in line with the CSP approach offered by Wood (1991) who sees a firm's social performance as a set of 'principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships' (p. 693). We draw on Wood's (1991) processes of social responsiveness from a managerial perspective, which holds that CSP is to be assessed in terms of a company meeting the needs and expectations of all stakeholders, including those related to global societal and ethical issues. These issues are managed under the banner of CSR, implying that companies integrate social and environmental concerns in their operations and interactions with their stakeholders, and report on those. Firms' CSR reports are accountability devices that reflect their attention to stakeholders as they broaden their obligations to deliver on societal goals and contribute to CSP.

After this review of the theories and approaches that we use in our study, it is important to clarify the concept of CSR reporting as it relates to the evaluation of ESG performance factors.

3.2.3. Mechanisms Influencing ESG Performance Factors and firms' Response to ESG Metrics

The literature on CSR and CSP examines the many factors affecting the business case for CSR, specifically the growing importance that financial markets attribute to ESG issues, and the trade-offs involved in the evaluation of ESG ratings (e.g. Delmas and Blass, 2010). In that respect, prior research has mainly explored the relationship between ESG performance and firms' financial performance (e.g. Busch et al., 2016; Delmas et al., 2013).

With a focus on the socially responsible investment (SRI) field, particularly in relation to how responsible investors and their proxies view and value firms' actions, some scholars developed a theoretical framework to explore the role of a specific group of metrics on responsible corporate behaviour (Slager et al. 2010). Informed by the work of institutional theorists and economic sociologists, they identified environmental, cognitive and relational mechanisms that can explain how Socially Responsible Investment (SRI) indices have an impact on firms' responsible behaviour. Adam and Shavit (2008) investigated the link between SRI index ratings and the willingness of a firm to invest in CSR. They found that changes in ratings-based methodology led, in some occasions, to the exclusion of firms from certain databases, which may well be an incentive for managers to 'change their practices in the direction of increased corporate responsibility' (Adam and Shavit, 2008, p. 901). Following their study, Scalet and Kelly (2010) investigate the actual impact of CSR rankings on corporate behaviour by analysing firms whose rankings changed over a one-year time period (2007-2008) to see whether changes such as drops on a ranking list impacted, in particular, firms' reporting practices. The authors showed that firms tend to communicate more about their good ratings than to discuss or publicly respond to negative CSR events. In fact, being dropped from a CSR ranking appears to do little to encourage firms to address ESG issues in their communication channels.

Studies exploring the relationship between social rankings, ratings or indices and firm behaviour are relatively new and are a response to a fundamental need to shed light on the impact of SRAs and their metrics on firms' corporate behaviour and social performance (Adam and Shavit, 2008; Chatterji and Toffel, 2010; Chatterji et al., 2016; Delmas and Blass, 2010; Delmas et al., 2013; Scalet and Kelly, 2010; Slager, 2015; Slager and Chapple, 2016; Slager, Gond and Moon, 2010; Slager, Gond and Moon, 2012). Drawing on the literature on the effects of rankings on educational institutions (Espeland and Sauder, 2007), a group of scholars found the impact of SRAs and their measurement tools on CSP to be of high relevance (Chatterji and Toffel, 2010; Slager, 2015; Slager and Chapple, 2016; Slager, Gond and Moon, 2012). In line with Mitchell et al.'s (1997) notion of saliency, firms shift their prioritisation of ESG reporting based on how managers perceive the relative importance of these issues (inside-out approach), and SRAs could potentially shape these opinions and perceptions (outside-in approach) (Burrit and Schaltegger, 2010). These researchers examined to which extent social ratings and indices influence not only investors' decisions but also organisational behaviour. For instance, in their study of the impact of SRI ratings on rated firms, Chatterji and Toffel (2010) draw on stakeholder theory and institutional mechanisms to explain why firms respond to poor ratings. The authors found that reduction of information asymmetry was a mechanism that explained why firms that initially received poor social ratings subsequently improved their environmental performance more than other firms. Contributing to instrumental stakeholder theory, the authors argue that, the threat of sanctions confers strong incentives for change, and that in an effort to mitigate this threat, poorly rated firms respond to SRAs and their metrics. In sum, unlike Scalet and Kelly's (2010) findings regarding the negative relationship between negative rankings and firm behaviour, responsiveness to poor SRA metrics positively affects firms' performance. We, therefore, have mixed results. As the threat of being dropped from an SRA's rating does not produced the same effects, we need to better understand the influence of social ratings on firms' corporate behaviour.

More recent empirical research examined the underlying mechanisms leading firms to give account of the specific role of SRAs' metrics on corporate behaviour, and more precisely of the effects of these mechanisms on CSP (Slager and Chapple, 2016). To conduct their study, the authors relied on CSP data from the FTSE4Good index, from the SRA EIRIs, and private correspondence between the companies and the FTSE Responsible Investment team. Over a three-year period observation (2007-2010), they specifically focused on CSP criteria requiring 'high risk' companies that operate in corrupt environments to have policies and management systems to counter bribery and corruption in their operations and to publicly report on these practices. Their observations allowed the authors to identify three mechanisms - exclusion threat, signaling and engagement – that underly the metrics used by investors, specifically responsible investment indices. According to the authors, these three mechanisms will determine how the external assessment of ESG performance factors affect organisational practices and by which processes the impact of ESG measurement on firms' CSP is channelled. The basis for the mechanisms of exclusion threats and signaling is the process of dialogue and engagement between financial intermediaries and company management. Through a structured stakeholder engagement, which requires time and resources on both sides, firms are pressured to be more transparent as regards their practices on specific CSP issues while they receive information and guidance on index criteria.

As CSR reporting becomes virtually mandatory for large corporations, more research on the mechanisms and processes through which SRAs' metrics influence reporting practices is needed. Drawing on the nascent but quickly growing literature on the different roles that financial intermediaries play in fostering CSP, we specifically focus on the relationship between changes in ESG ratings and their corresponding rating reports and changes in CSR reporting and the channelling processes linking both phenomena. In this study, our goal is to show how firms' reporting on ESG issues is affected by their prior ratings and to identify, in this relationship, the mechanisms that push firms to engage more with their stakeholders. We acknowledge the relevance of the ESG information rated or reported on, and consider both phenomena as proxies for CSP (Igalens and Gond, 2005; Barnett and Salomon, 2012; Delmas et al., 2013; Giamporcaro and Gond, 2016).

3.3. METHODS

Using a mixed-methods design, this exploratory research examines the role of ESG ratings in influencing reported CSR practices. Quantitative methods were first used to check the impact of firms engaging in a feedback process with an SRA on their subsequent ESG rating to investigate whether there is an incentive for firms to collaborate with this SRA. Qualitative methods were then used to identify which variables are consistently relevant for our entire data set, and second, which variables are most critical in influencing how firms pay attention to ESG issues. The authors used the oekom database, a proprietary database that has, only in very rare occasions, been used in academia (Hoepner, Oikonomou, Scholtens and Schröder, 2016). Access to this unique set of data was provided through the first author who worked at this SRA as an ESG analyst between September 2009 and January 2014 and was able to use the archives and longitudinal data related to the telcos' rating reports.

3.3.1. Sources of Data

For this study, we collected a unique set of data comprised of different CSP data. First, it consisted of the ESG ratings, including the aggregate rating and the sub-ratings under the social and environmental dimensions, of up to 110 global telecommunication service providers (telcos), with headquarters in Asia, Europe, and The Americas, over ten years, precisely between 2005 and 2014. Second, it consisted of the comprehensive ESG ratings and rating reports of 25 telcos between 2002 and 2014. Finally, we collected the CSR reports of all 25 telcos, over fifteen years, and more specifically between 2002 and 2016, that is until 2 years after the last rating report was issued. We used a mixed methods research based on a quantitative study of some elements of the telcos' ESG ratings, and a qualitative study of the telcos' rating reports and CSR reports.

The rating reports. Data regarding the telcos' rating reports were originally produced by the Munich-based SRA oekom research AG (the SRA). To produce the rating reports and the social ratings, the SRA used a rating report structure, which referenced non-financial performanace indicators and related information to assess how firms deal with environmental, social and governance (ESG) issues. To complete these reports, ESG analysts have drawn from an array of information sources including CSR reports, media screenings, interviews with independent experts, and assessments from independent organisations such as NGOs, business associations or consumer protection groups. After the analysts have made an appraisal of the telcos' policies, programmes and activities, they evaluated them against a set of ESG performance indicators. The outcome of the evaluation process led to a social rating or ESG rating - both a numerical grade and a letter grade - that corresponds to the corporate social performance (CSP) of the telcos.

By way of context, since 1993, the SRA has been providing research and corporate ratings to the Socially Responsible Investment (SRI) community worldwide. In 2017, the SRA was employing 70 analysts working on ESG research and rating activity, and assessing a total of 7,000 publicly trade issuers of equities and bonds, including approximately 4,000 companies worldwide (oekom, 2017). In comparison with the most popular Kinder, Lydenberg, Domini Research & Analytics (KLD) ratings and their Domini Social Index, data from this SRA have rarely been referred to in the academic literature (Aguinis and Glavas 2012; Chelli and Gendron, 2013; Giamporcaro and Gond, 2016; Schreck, 2009) and so far never been used empirically, except for Hoepner's et al. (2016) study of the impact of social ratings on the cost of debt in bank loans. Over the years, the SRA has been commended for its objectivity, for the quality of its evaluation outcomes, and for the transparency and consistency of its methodology (Chelli and Gendron, 2013; Globescan and SustainAbility, 2012; Schreck, 2009). The SRA's social rating reports relied on a rating concept, the Frankfurt-Hohenheim Guidelines, developed in collaboration with economists, philosophers, ethicists and theologians under the leadership of Prof. Dr. Johannes Hoffmann, a social ethicist. The guidelines were based on a set of more than 800 criteria for the evaluation of companies of all industries and differentiated between general ESG issues and industry-specific issues (Schreck, 2009). The SRA took the approach proposed by the Frankfurt-Hohenheim Guidelines, and integrated into its rating structure the relevant criteria to obtain a rating grade, also called corporate rating. This was carried out using a selection of approximately 100 relevant ESG criteria for the telecommunications industry, broken down in two parts, social and environmental, each representing 50% of the overall grade. The social dimension included the indicators related to business ethics and the corporate governance indicators, thus merging the S for 'social' and the G for 'governance' into one dimension: 'Social Rating'. Together, the Social Rating and the Environmental Rating of a telco were aggregated to reveal an integral Corporate Rating. The Corporate rating indicated the final score or rating, which represented the telco's overall CSP/ESG performance. The two-dimensional rating structure for 2014 is illustrated as follows:

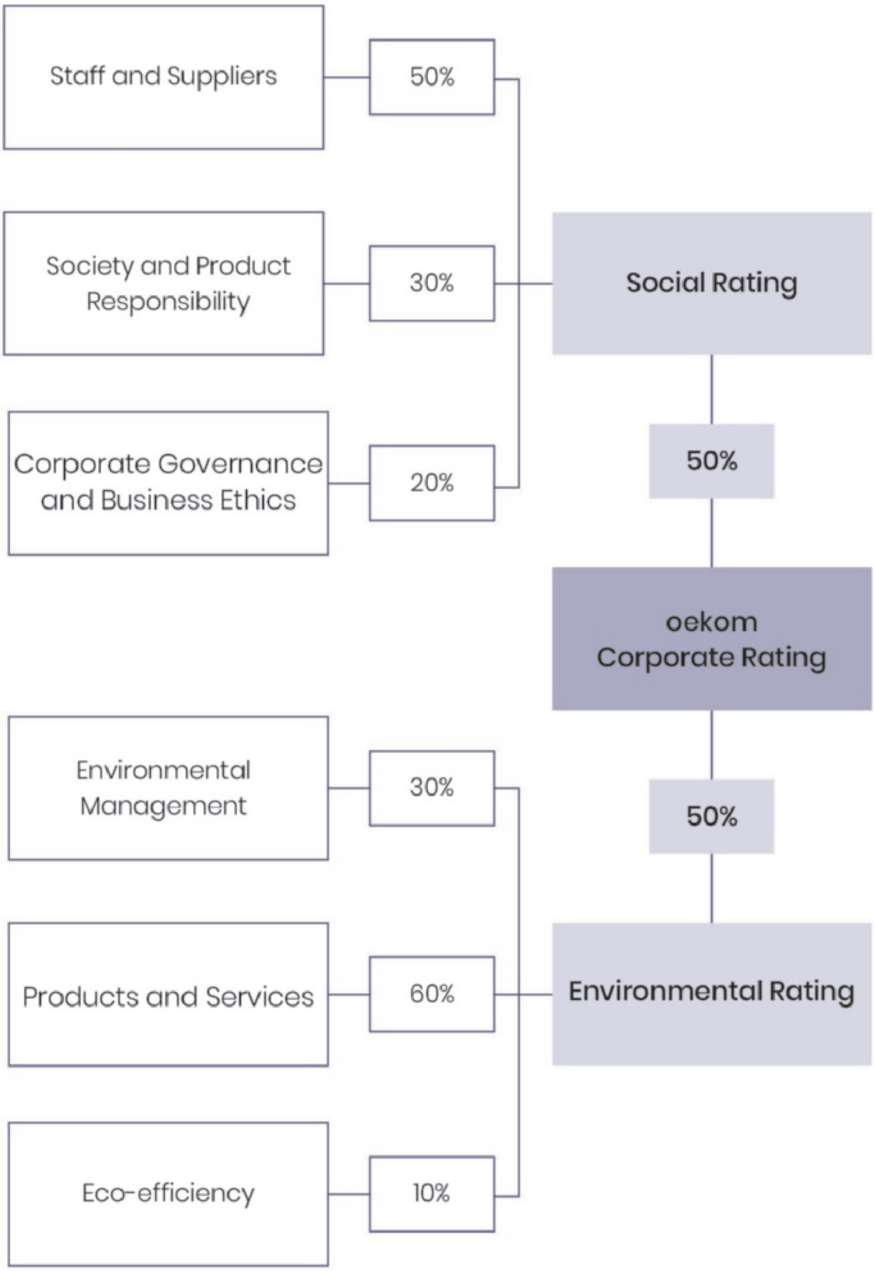

Figure 3.1. oekom research Rating Report Structure of the Telecommunications Industry (2014)

CSR Reports. CSR reports - also called sustainability reports, corporate responsibility reports, or corporate citizenship reports - were publicly available documents that telcos voluntarily issued, and which we retrieved from the 25 telcos' websites. Although in some instances, gathering the reports from the years between 2002 and 2005 was not an easy task, most generally, the telcos shared these documents in historical archives or records, allowing readers to browse their past reports and, therefore appraise their progress over the years.

3.3.2. Data Analysis

Our data analysis is divided into three parts. First, we conducted an exploratory quantitative analysis to test the influence of engaging in the feedback process on the subsequent SRA's ESG ratings, using a sample of 20 telcos between 2002 and 2014. Second, we conducted a qualitative analysis of the CSR reports and the rating reports of 25 global telecommunications providers between 2002 and 2014. Third, we took a closer look at 6 of them to explore how the ESG criteria had been assessed and evaluated by the SRA's analysts, and how those same ESG issues had been addressed in CSR reports. We divided this information into three different periods of time: Time periods T0 (2002-2005), T1 (2008-2009), and T2 (2012-2014). These three time periods reflect the frequency in which the SRA issued a complete assessment of the 25 telcos, which was generally called at oekom a Full Update. Those companies that showed meaningful changes in their ratings between 2002 and 2014 deserved our in-depth look at their CSR reports, in particular at the way they paid attention to the SRA's key ESG issues. We could thus elucidate whether an early response to the SRA's rating had a positive effect on the CSP performance of a company.

The exploratory analysis of 20 telcos. First, we tested whether firms engaging in the feedback process with the SRA have subsequently higher ESG ratings. We expect that firms having an incentive to engage in a dialogue with the SRA by receiving higher ratings will be more willing to change their CSR practices. Engaging in the feedback process means that the telcos participated in a process that the SRA regularly initiated before completing its rating reports at T0, T1 and T2. In this process, telcos were invited, free of charge, and on a voluntary basis, to provide comments and additional information on to the ESG analysts' findings. Using the ratings data of a sample of 20 telcos, we looked at 3 different dependent variables: (1) the overall corporate rating, (2) the individual rating on the social dimension and (3) the individual rating on the environmental dimension. It is worth noting that the corporate rating dependent variable is composed of its 2 major components: the social and the environmental ratings. Our independent variable is the feedback process engagement, which was measured as a binary variable (i.e. 0=no engagement, 1=engagement in feedback process). We also include three control variables, which relate to three most widely recognised ESG accountability initiatives: signatory to the principles-based code – the United Nations Global Compact (UNGC), participation in the overarching accounting and disclosure framework -the Global Reporting Initiative (GRI), and inclusion in the investor-related initiative - the Dow Jones Sustainability Index (DJSI). These control variables were used to see the impact of firms' engagement in the feedback process independent from their general CSR activities. Hence, controlling for their general CSR performance via the participation in these three accountability initiatives can monitor differences in how engaged they generally are with respect to CSR. Again, these control variables used a binary measurement dependent upon whether the telco was involved in one of the three above cited ESG accountability initiatives. Hence, the measures were either a 'no' (coded as 0) or a 'yes' (coded as 1): 1) were the telcos signatories of the United Nations Global Compact intitiative, 2) were the telcos following the GRI sustainability reporting guidelines to report on their CSR practices, 3) were the telcos included in the DJSI index.

To identify how the impact of engaging in the feedback process on the SRA's ESG ratings, we run ANOVAs incorporating the binary feedback measure and the three different control variables on the three dependent variables (corporate rating, social rating and environmental rating) over the three time periods, T0, T1 and T2 on a small sample of 20 telcos: 10 companies with a PRIME status and 10 NOT PRIME.

The analysis of 25 global telcos. The first qualitative analysis helped us distinguish, among the group of 25 telcos, between three groups of companies: 1) the 'rising stars', i.e. the ones that performed below average at T0 and improved to above average at T2, 2) the 'falling stars', i.e. the ones that performed above average at T0 and fell below average at T2, and 3) the 'steady stars', i.e. the ones that remained above average at T0, T1 and T2, i.e. over the entire 15-year period. It is important to recall that each time period - T0, T1 and T2 – corresponded to the period when the Full Update of the telcos' social and environmental performance was taking place. Before the attribution of a final score or rating to a telco, and while the corporate rating report of this telco was still in a draft stage, the SRA was inviting who the telco appointed as its contact person to provide feedback and comments on the rating report, if they so the telco desired. Some did, others did not. As a reminder, an A+ rating denoted exceptional ESG performance and a D- rating signified very poor ESG performance. It is fair to say that, in our data, while some companies had received a D- rating, none had received an A+ rating.

The in-depth analysis of 6 telcos. After the analysis of the 25 telcos, we decided to focus our analysis randomly on two telcos of each of the three groups we had identified in the first analysis: two 'rising stars', two 'falling stars' and two 'falling stars'. During this stage, we examined the ESG issues and the related ESG industry-specific indicators the SRA was drawing attention in its rating report structure and compared them to the way these same key issues were reported over the 3 time periods, T0 (2002-2005), T1 (2008-2009), and T2 (2012-2014), plus 2 years in each case. A focus, in our analysis, on the ESG key issues in this industry from the SRA's perspective was meaningful as those issues accounted for at least 50 per cent of the total weight of each telco's corporate rating. We, therefore, wanted to investigate the level of attention telcos were paying to the SRA's specific ESG performance factors in their CSR reporting, two years after they had received the SRA's rating report: T0 + 2, T1 + 2, and T2 + 2. To that end, we identified three levels of attention: low, medium and high.

3.4. FINDINGS

Our data analysis focused on how the SRA's ESG assessment in its ratings and corporate rating reports influenced the way telcos paid attention to the ESG issues highlighted by the SRA in these reports, and how, subsequently, firms gave an account of their CSR practices in relation to those ESG issues in their CSR reporting. Particular attention has been given to cases of improvement and of failure at three time periods, as set out above, T0 (2002-2005), T1 (2008-2009), and T2 (2012-2014). These periods correspond to the time the SRA needed to conduct a Full Update of the telecommunications industry. During this Full Update, a number of telcos were subject to a complete ESG analysis and assessment of their performance before the analyst in charge of the industry comes up with a final rating. In our study, the data for the years 2005, 2009 and 2014 were taken as the baseline for each time period.

3.4.1. Exploratory Quantitative ANOVA Results

Before analysing the ratings and the rating reports issued by the SRA, we run three different ANOVAs T0 (2005), T1 (2009), and T2 (2014) to investigate the impact of engaging in a feedback process on the subsequent ESG rating, while controlling for whether the telco was a UNGC participant, a GRI Reporting Guidelines follower, and listed on the DJSI. Our results are shown on table 3.1.

Our results show that except for the year 2005, neither the UNGC, the DJSI or the GRI were CSR practices that had a significant impact on the ESG rating produced by the SRA. The participation to the feedback process and the willingness of the stars to engage in a meaningful dialogue and interaction with the SRA was the only consistent driver of corporate, social and environmental rating over all three time periods, at the exception of the environmental rating in 2005. Also, the mean differences due to the feedback process engagement grow larger over time. Hence, it seems that prime status telcos have learned that paying attention to the issues that the SRA raises increases their ratings, providing a clear incentive for them to change their reporting practices according to the SRA's requests.

TABLE 3.1 ANOVA results – group mean differences in ratings

	T_0: 2005			T_1: 2009			T_2: 2014		
	Corpotate Rating	Social Rating	Environmental Rating	Corpotate Rating	Social Rating	Environmental Rating	Corpotate Rating	Social Rating	Environmental Rating
Feedback engagement	MS: 0.317*	MS: 0.505**	MS: ns	MS: 0.833**	MS: 0.808**	MS: 0.859**	MS: 2.123***	MS: 1.897***	MS: 2.360***
UNGC	MS: 0.248*	MS: 0.603**	MS: ns	ns	ns	ns	ns	ns	ns
GRI	MS: 0.248*	MS: ns	MS: ns	ns	ns	ns	ns	ns	ns
DJSI	MS: 0.505**	MS: 0.321*	MS: 0.731**	ns	ns	ns	ns	.253*	ns
MS = mean square; p-values: *<0.05, **<0.01, ***<0.001; ns=non-significant	F= 13.005***, equal error variances assumed	F= 12.862***, equal error variances assumed	F= 5.469*, equal error variances assumed	F= 2.538 equal error variances assumed	F= 1.935, equal error variances assumed	F= 3.063*, equal error variances assumed	F= 35.187***, equal error variances assumed	F= 16.383***, equal error variances assumed	F= 21.160***, equal error variances assumed

3.4.2. Ratings and Rating Report Structures between 2005 and 2014

The ESG performance evaluation of the telcos we studied was following the rating report structure oekom had in place during each time period. All indicators and criteria were individually weighted, evaluated and aggregated to yield an overall rating. Firms were rated on a twelve-point scale from A+ to D-. With an A+ rating, the company showed exceptional ESG performance while a D- rating stood for very poor ESG performance. A final rating was attributed to the assessed company and it was this final rating that investors would take into account in their investment decision-making process.

Over the 10-year period of our analysis, changes have occurred in the SRA's rating report structures. In oekom's 2005 rating report structure, about two-thirds of the ESG performance factors were general indicators relating to ESG issues general to all industries and about one-third were industry-specific. Between 2005 and 2009, an important shift in the SRA's rating methodology occurred. Fulfilling its agenda for more change towards sustainability, the SRA decided that the weighting distribution between categories needed to change in order to make its sustainability requirements harder to achieve for the rated companies. The SRA selected key ESG issues and their corresponding ESG performance factors from all the general and industry-specific ESG issues, and made them account for at least 50 per cent of the total weight of any rating. From 2009, the importance of key ESG issues in the overall ESG performance evaluation was thus reinforced.

Thus, the selection of environmental and social issues varied, and their weightings too. For example, in the social dimension, the 'Social/Cultural' category changed into a new one 'Staff and Suppliers' between 2005 and 2009 (cf. Table 3.2). The weighting values, therefore, also changed (cf. Table 3.3).

TABLE 3.2 Changes in the ESG sub-dimensions of the oekom rating structure between T0 and T1

ESG DIMENSIONS	2005 (T_0)	2009 (T_1)	2014 (T_2)
A- SOCIAL	***A- Social Cultural Rating***	A- Social Rating	A- Social Rating
A1	***Social / Cultural Management***	Staff and Suppliers	Staff and Suppliers
A2	***Staff Relations***	Society & Product Responsibility	Society & Product Responsibility
A3	***External Relations***	Corporate Governance and Business Ethics	Corporate Governance and Business Ethics
B- ENVIRONMENTAL	B- Environmental Rating	B- Environmental Rating	B- Environmental Rating
B1	Environmental Management	Environmental Management	Environmental Management
B2	Products and Services	Products and Services	Products and Services
B3	Eco-Efficiency	Eco-Efficiency	Eco-Efficiency

In addition to that, although the categories in the environmental dimension remained the same in 2005, 2009 and 2014, their weightings changed between 2005 and 2009 (cf. Table 3.3).

TABLE 3.3 Changes in the weighting of the ESG dimensions in the oekom rating structure between T0 and T1

ESG DIMENSIONS	2005 (T_0)	2009 (T_1)	2014 (T_2)
A- SOCIAL	50%	50%	50%
A1	***20%***	***50%***	50%
A2	***40%***	***30%***	30%
A3	***40%***	***20%***	20%
B- ENVIRONMENTAL	50%	50%	50%
B1	***25%***	***30%***	30%
B2	***50%***	***60%***	60%
B3	25%	10%	10%

3.4.2.1. Analysis of the CSR Reports and Rating Reports of 25 Telcos

For the telecommunications industry (TE), the minimum score to be considered a good performer at the SRA was a C+. A company with a straight C score and below was considered a poor or very poor performer. All companies with a score equal to or above C+ were good or very good performers and received the SRA's Prime status, which exposed the company shares to investors that, for instance, picked stock specifically from the Prime status list. With the Prime status banner, companies could claim to satisfy certain sustainability management requirements, including those that are industry-specific, hence claimed to be sustainability leaders. Prime companies often communicated this special status on their websites, publically demonstrating to all stakeholders, but particularly to socially responsible investors (SRIs), their above-average accountability towards a wide range of stakeholders and their commitment to tackle ESG issues efficiently. Thus, in its 2010 Corporate Responsibility report, a Prime telco declared:

> *'...we always seek to provide information to the investor community in an honest, fact-based and transparent manner. Increasing interest in sustainability is reflected in the growing share of SRI –investors in ... (our) share, reaching an estimated 12 percent from the total shares in 2010. Our work continued to receive acknowledgement through inclusion in several sustainability indices.'*

Our analysis of the data showed that of the 25 companies 7 improved their CSP such that they were able to move from a low performance at T0 to a superior performance at T2 (cf. Table 3.4). In parallel, 9 companies maintained their high level of performance and 2 lost it.

TABLE 3.4 oekom rating (letter grade) of the 25 telcos between 2002 and 2014 with PRIME status threshold at C+

TELCOS	RATING T_0 (2005)	FEEDBACK T_0 (2005)	RATING T_1 (2009)	FEEDBACK T_1 (2009)	RATING T_2 (2014)	FEEDBACK T_2 (2014)
TE 1	**B+**	**Yes**	**B**	**Yes**	**B**	**Yes**
TE 2	**C+**	**Yes**	**B**	Yes	C	No
TE 3	**B**	**Yes**	**B-**	**Yes**	**B-**	**Yes**
TE 4	F	No	**B-**	**Yes**	**B-**	**Yes**
TE 5	**B+**	**Yes**	**B-**	**Yes**	**B-**	**Yes**
TE 6	**B-**	**Yes**	**B-**	**Yes**	**B**	**Yes**
TE 7	**B-**	**Yes**	**B-**	**Yes**	**C+**	**Yes**
TE 8	**C+**	**Yes**	**B-**	**Yes**	**B-**	**Yes**
TE 9	**C+**	**Yes**	**C+**	**Yes**	**C+**	**Yes**
TE10	**B-**	**Yes**	**C+**	**Yes**	**B-**	**Yes**
TE 11	C	Yes	**C+**	**Yes**	**B-**	**Yes**
TE 12	C	Yes	C	Yes	**C+**	**Yes**
TE 13	B-	Yes	C	Yes	**B-**	**Yes**
TE 14	C	Yes	C	Yes	**C+**	**Yes**
TE 15	C+	Yes	C	No	C	No
TE 16	F	No	C	No	C	No
TE 17	C	No	C-	No	**C+**	No
TE 18	C-	No	C-	No	**B-**	**Yes**
TE 19	C+	Yes	C-	Yes	**C+**	**Yes**
TE 20	C-	No	C-	No	C-	No
TE 21	F	No	C-	No	C-	No
TE 22	F	No	C-	Yes	**C+**	**Yes**
TE 23	F	No	D+	No	D+	No
TE24	C	No	C	No	C-	No
TE25	C-	No	F	No	**C+**	**Yes**

Our exploratory quantitative analysis has indicated that the participation to the feedback process was a consistent driver of firms' corporate rating, and that the telcos that engaged in dialogue with the SRA were showing a superior CSP/ESG performance. We expected our qualitative analysis to shed light on this feedback process engagement looking for specific mechanisms that can explain how and why firms react to shifts in ratings. Our comparison of the 25 telcos between 2002 and 2014 did not provide us with a thorough understanding of how SRA's ratings influence telcos' reporting practices as regards their CSR activities. Our investigation of the specificities of telcos' ESG rating helped us better contrasting firms as we decided to focus our attention on the fate of six telcos.

3.4.2.2. The fate of the Six Stars

For more in-depth insights, we decided to focus our analysis on 2 companies of each of the 3 groups we had earlier identified, that is 1) the 'Rising stars', 2) the 'Falling stars', and 3) the 'Steady stars' over the same time periods as for the 25 telcos, the years 2005, 2009 and 2014 remaining the baseline for each time period (cf. Table 3.5 and Figures 3.2, 3.3 and 3.4).

Based on the SRA's ratings-based method, we identified the CSP/ESG performance of six telcos not only at the corporate level but also at the social and environmental levels. We called these telcos 'stars' because we regard them as organisations that may enlighten us in better understanding some organisational elements related to the attention that they pay to ESG issues through external assessment organisations and their social ratings, in particular.

TABLE 3.5 Overview of the 6 Rising, Steady and Falling telco stars: oekom corporate ratings in letter and numerical grades at T0, T1 and T2, participation to oekom feedback process, and the first year a formal CSR report was issued

6 TELCO STARS	RATINGS	FEEDBACK	RATINGS	FEEDBACK	RATINGS	FEEDBACK	FIRST CSR REPORT
	2005 (T_0)	2005 (T_0)	2009 (T_1)	2009 (T_1)	2014 (T_2)	2014 (T_2)	
RISING STAR 1	***C***	***Yes***	***C+***	***Yes***	***B-***	***Yes***	***2008***
	2,10						
			2,26				
					2,67		
RISING STAR 2	***C-***	***No***	***C-***	***No***	***B-***	***Yes***	***2006***
	1,95						
			1,86				
					2,61		
STEADY STAR 1	***B-***	***Yes***	***B-***	***Yes***	***B***	***Yes***	***2001***
	2,74						
			2,56				
					2,84		
STEADY STAR 2	***C+***	***Yes***	***B-***	***Yes***	***B-***	***Yes***	***2004***
	2,43						
			2,54				
					2,52		
FALLING STAR 1	***C+***	***Yes***	***B***	***Yes***	***C***	***No***	***2001***
	2,48						
			2,83				
					2,20		
FALLING STAR 2	***C+***	***Yes***	***C***	***No***	***C***	***No***	***2000***
	2,29						
			2,02				
					2,06		

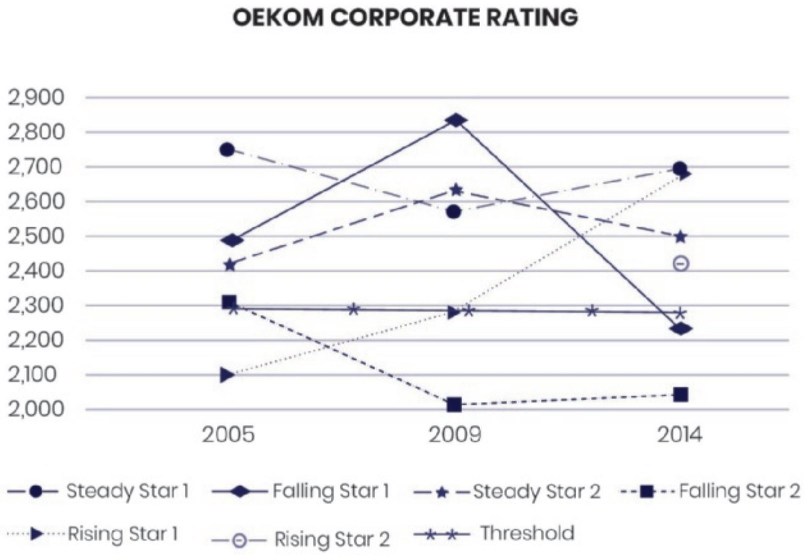

FIGURE 3.2 ESG corporate rating (numerical grade) of the 6 Rising, Falling and Steady telco stars against the SRA's Prime threshold at T0, T1 and T2

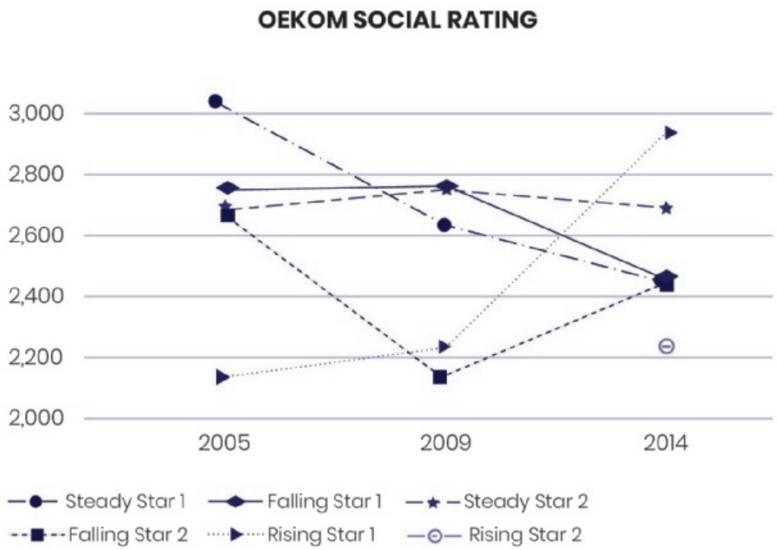

FIGURE 3.3 Social rating (numerical grade) of the 6 Rising, Steady and Falling telco stars against the SRA's Prime threshold at T0, T1 and T2

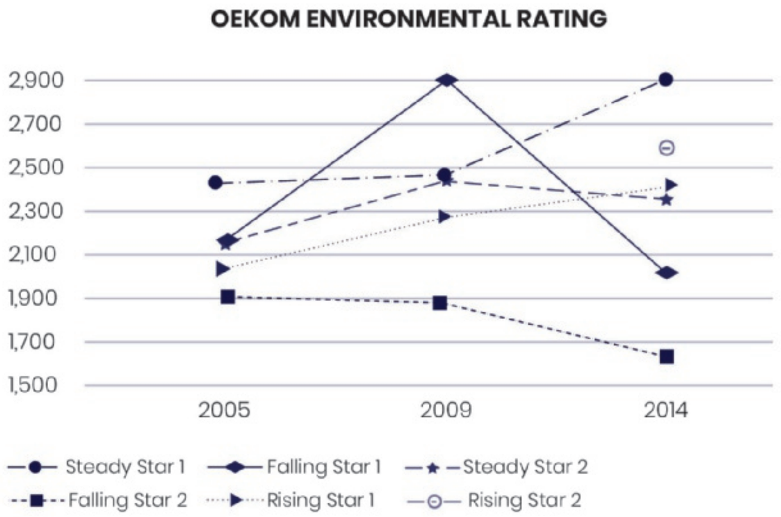

FIGURE 3.4 Environmental rating (numerical grade) of the 6 Rising, Steady and Falling telco stars against the SRA's Prime threshold at T0, T1 and T2

We wanted to see to which extent the SRA's key ESG issues in the telecommunications industry and its related ESG performance indicators were having an impact on the way these stars were reporting (cf. Appendix I for a selection of oekom key ESG issues). We tried to see signs of influence of the SRA's evaluation of these 6 stars on their CSR reporting. For that, we examined in particular how the stars were giving account of key ESG issues in their CSR reports at T0 + 2 years, T1 + 2 years, and T2 + 2 years. Our findings showed that changes in ratings, in particular after poor CSP/ESG performance, as well as meaningful changes in categories, indicators or weightings were typically variances such as a) a better or a lower level of performance at all ESG dimensions, b) a better or a lower level of performance at only one of the two dimensions, or c) a better or a lower level of performance over a particular ESG key issue. The way telcos responded to those changes highlighted the importance for firms to adopt a participatory approach with the SRA through the feedback process (cf. Appendix J for an overview of the Six Stars' ratings, feedback participation and level of attention regarding oekom key ESG issues).

Responding to changes in ratings. In a majority of cases, the stars that had paid a high attention to the SRA's key ESG issues in their CSR reports two years after having interacted with the SRA via the feedback process were better off in performing well and in getting a good rating. This speaks in favour of such a CSR practice, that as it stimulated cooperation between the telcos and the SRA, had a clear impact on the CSP of the stars we examined.

Looking at the six stars ratings, feedback participation and level of attention towards some of the SRA's key ESG issues, our findings are threefold. First, the rising stars consistently improved their ratings between 2005 and 2016 as they provided regular feedback to the SRA. Their level of attention was overwhelmingly high. Over 30 observations, they only got 5 instances of 'low attention' levels and 5 of 'medium attention' levels, and this only concerned Rising Star 1, which in 2005 and 2009, respectively, never provided feedback to the SRA. Second, Falling Stars had many low attention level regarding two ESG issues, specifically *Electromagnetic Radiation* and *Product Responsibility*. The lack of feedback in half of the observations either led to a bad rating in these issues or a mismatch between the requirements of the SRA and their reporting on those same issues. Finally, all over the time period that we analysed, the Steady Stars never had a low level of attention for most ESG issues. For both, their Achilles' heel was the *Electromagnetic Radiation* issue, where their level of attention was often either low or medium. However, like for the Rising Stars, their level of attention remained generally high for all ESG issues. These results are in line with our previous findings where we had identified the Feedback process as the CSR practice that had the most impact on the stars' rating scores.

Adjusting to changes in the rating methodology. A closer look at the categories, both at the social and the environmental level, showed that whenever the SRA introduced new categories, and subsequent new indicators or changed some weightings in the rating structure (cf. Table 3.2 and 3.3), those companies that did not provide comments to the analyst in charge of the evaluation could not react consequently to the changes of methodology. As a result, they inevitably saw their CSP and overall rating slide. Those who did enter in a feedback loop by providing comments on the rating report not only improved their CSP but had a higher chance to rise to the group of best performers. This is clearly illustrated in the case of Rising Star 2. The only time the company entered into the feedback loop with the rating agency was when the T2 Full Update of the telecommunications industry was taking place. They never provided feedback for the T0 nor for the T1 Full Update. Conversely, Falling Star 1 who provided information or made comments on the rating report at T0 and T1 was among the good performers at these two time periods. At T2, Falling Star 1 declined the offer to comment on the rating report and became a bad performer. At T2, the two Rising Stars and the two Steady Stars had entered into a feedback procedure with the analysts of the SRA. Both Falling Stars had not (cf. Appendix J).

Changes in reporting practices. Between T0 and T2, new indicators had been regularly introduced in the SRA's rating structure. Each time, good CSP performers companies adapted their reporting to respond to the expectations of the rating agency. Steady Star 2 is a case in point. At T0, the SRA was evaluating the question of 'Employment Security' under two indicators: A.2.2.1 *Occurrence of staff redundancies for operational reasons in recent years*, and A.2.2.2 *Implementation of socially adapted redundancy plans, outplacement programmes*. The last sub-indicator, A.2.2.2, was also assessed according to the geographical scope (coverage) of the mitigation measures offered by Steady Star 2. The CSP score for the question of 'Employment Security' was a B- at T0 and the coverage B+. At T1, the indicators were similar but the response of the company was adapted to the need for more information as to the geographical scope or coverage of the measures. The CSP score for the question of 'Employment Security' was still a B- at T1 but the coverage A+. At T2, a new issue was considered relevant for the assessment of 'Employment Security', namely, 'Types of Employment'. A distinct third indicator is then added to oekom rating structure: A.1.1.3.3 *Different types of employment*. This third indicator is divided into 2 sub-indicators: a) *Ratio of employees with a permanent or temporary contract*; and b) *Ratio of the directly employed workforce (own employees) and the not directly employed workforce (e.g. temp agency workers)*. Steady Star sees then its CSP score for the question of 'Employment Security' slide from a B- to a C+ at T2, the coverage remaining at A+. The missing response to the specific indicator *Ratio of directly employed workforce (own employees) to not directly employed workforce (e.g. temp agency workers)* under A.1.1.3.3a lowers the performance of Steady Star 2 under the question of 'Employment Security' and 'Types of Employment'. This question was an important concern for investors at a time when the transformation of the telecommunications industry, with state monopolies being converted into globally active multinational companies, has continued in recent years. This has been accompanied by two principle trends: job cuts and restructuring in the home markets, coupled with expansion into new markets, particularly into unsaturated markets in developing and newly industrialised countries. In all three time periods, Steady Star 2 was in the process of implementing large-scale redundancies or significant job cuts.

Early vs. late reporting practices. To the question whether early reporting practices had a positive effect on the CSP performance of a company, the answer is no. Falling Star 1 and Falling Star 2 started to report on their CSR activities in 2001 and 2000, respectively. However, Rising Star 1 and Rising Star 2 published their first sustainability report in 2008 and 2006, respectively.

Taking into account our exploratory quantitative and qualitative analysis, our findings led us to three conclusions: 1) telcos that engaged in a feedback process with the SRA and responded to the SRA's ESG performance requirements improved their ratings and CSP, 2) those who did not, lowered their performance and 3) late comers on the bandwagon of CSR reporting had a better level of attention to ESG issues.

To summarize our findings, we argue that the relationship between the SRA and the telcos was generated through the feedback process that the social rating has prompted. Telcos engaging in this process show that they are more willing to respond to the SRA, and to adjust and change their CSR practices. As a consequence, they receive higher ratings.

3.5. DISCUSSION AND CONCLUSION

This paper has analysed how the external assessment of ESG performance factors by social rating agencies (SRAs) affects reporting organisational practices within firms and contributes to CSP. The ratings-based method used to assess organisations' CSR practices remains an important measurement tool that can be used as a point of entry to address social issues and implement managerial practices to improve social performance.

A few researchers have concentrated on 'socially responsible investors' and financial market intermediaries as relevant stakeholder groups in relation to CSR organisational practices (Arjaliès, 2010; Slager and Chapple, 2016; Van den Brink and Van der Woerd, 2004). Our study agrees with Slager and Chapple (2016) and shows that SRAs and their social ratings are more than mere information providers. Ratings and rating reports are not only measurement tools but also instruments that firms can use in their interactions with SRAs to improve their reporting practices and, subsequently, achieve higher levels of CSP/ESG performance.

As the intention of the investors is to manage and reduce the long-term level of risk on their investments by encouraging responsible business practices based on ESG issues, firms need to pay more attention to the requirements that key financial market intermediaries set as ESG performance factors. Some firms are so aware of the impact a good CSP/ESG performance has on investors that they publicly disclose all inclusion into an SRI index or a sustainability benchmark and list their inclusion thereof on their websites under headings such as 'awards' and 'external recognitions'. In their CSR/sustainability reports, rated firms pride themselves that their business strategy is defined around principles of social responsibility, that they have identified their key stakeholders, and that they implement all possible CSR efforts to manage their needs and expectations (Freeman, 1984). When their CSR policies and activities have been evaluated highly, they inevitably say where and by whom, highlighting their constant efforts to reach or maintain a high level of social performance. Like for their annual financial reports, they also voluntarily ask and pay for an independent external assurance and verification of their CSR/sustainability reports (Perego and Kolk, 2012).

3.5.1. Enriching Stakeholder Theory with the Accountability Literature

We contribute to the stakeholder literature by focusing not on descriptive questions ('Who are the stakeholders of the firm?') or normative questions ('To whom should managers pay attention?') but on organisational questions such as 'How and why do firms pay attention to stakeholders?'. In our study, we intended to understand better how firms manage their relationships with stakeholders by investigating the influence of SRAs on rated firms' corporate practices and CSP. Since the birth of stakeholder theory, the management literature offers a market-based link focused on the efforts made to add value to companies, including savings, competitiveness, innovation, reputation and competitive advantage in the global marketplace (e.g. Orlitzky et al., 2017). However, when exploring the influence social ratings have on organisational reporting practices, one can argue that there may be directions for other potential links. Indeed, stakeholder theory provides a normative and instrumental framework to encourage organisations to recognize the importance of building and managing relationships with all of their stakeholders but it fails to offer an organisational development approach. What is missing in this literature is an analysis of how external measurement of ESG performance influences firms' organisational practices.

The example of the global telecommunications service providers makes that clear. Once the ESG challenges facing an industry are determined, SRAs, through their social ratings, will draw the attention of firms on specific ESG issues, thereby influencing their CSR/sustainability reporting, probably to the same extent as other external pressures coming from NGOs or other social movements do (De Bakker et al., 2013). Using SRAs' specific measurement tools devoted to assess their ESG performance to improve their reporting practices can become relevant in common management practice (Perego and Kolk, 2012). Influenced by regular examinations and assessments of their CSR policies and business practices, firms can, therefore, learn to report on how to actively address new ESG issues, embrace changes and make their business activities more socially and environmentally acceptable (Gond and Herrbach, 2006).

We also contribute to stakeholder theory by entering the debate on stakeholder saliency, examining the specific stakeholder relationship between SRAs and firms and focusing in particular on how firms' reporting on ESG issues is affected by their prior ratings and interactions with SRAs. Our results imply that SRAs are key external stakeholders for firms wanting to strengthen their organisational accountability with the objective of obtaining higher CSP levels. SRAs act for the interest of their clients, namely investors, who increasingly ask for responsible corporate behaviour in firms' day-to-day management. In their assessment, SRAs supply information on firms' behaviour at several ESG dimensions, categories and indicators. By doing so, SRAs point out where firms perform well and where they perform poorly before they deliver an aggregate final score/rating. Among the academically acclaimed attributes that make managers win managerial attention, threats or the potential to threaten have a coercive power that may affect stakeholder-firm dynamic (Mitchell et al., 1997). Our exploratory study brings some nuances to prior studies on the role of exclusion from certain databases, drops on a ranking list or poor rankings of firms' CSR practices (Adam and Shavit, 2008; Chatterji and Toffel, 2010; Scalet and Kelly, 2010; Slager and Chapple, 2016). Instead of being perceived as 'exclusion threats', SRAs encourage firms to better address ESG issues in their communication channels, social ratings and rating reports, offering firms the opportunity to know on which accounts their behaviour is being measured, and allowing them to shift their prioritisation in their CSR/sustainability reporting practices (Burrit and Schaltegger, 2010). We argue that, in the SRAs-firm relationship, there is an alternative soft power that has the same intended consequences as 'exclusion threats' in terms of stakeholder salience, namely the feedback process. Via this process, social ratings shape firms' organisational reporting practices, giving them an incentive to respond to SRAs' rating practices - rating changes and changes in rating methodologies - in order to obtain or maintain a good ESG score.

Through social ratings and social rating reports, firms have an incentive to engage in a dialogue with providers of such ratings by adapting their CSR reporting practices accordingly and, ultimately, by receiving higher ratings. An organisation that is willing to engage in a dialogue with SRAs about its level of CSP/ESG performance, to juggle with SRAs' ESG performance factors, and to adapt its reporting practices in response to the ESG issues highlighted in social ratings, will typically implement CSR/sustainability reporting as a relevant accountability process for optimal ESG performance. Thus, in line with previous studies on the role of social ratings on firms' corporate behaviour (Adam and Shavit, 2008; Chatterji and Toffel, 2010; Slager and Chapple, 2016), our exploratory analysis shows that social ratings are significant drivers of CSR/sustainability reporting practices.

Accountability tools such as CSR/sustainability reports offer ways to report on multiple stakeholder concerns and, with SRAs' soft power and guidance, help firms better give account of their behaviour regarding key ESG issues. As we link the literature on stakeholders' needs and expectations through the ESG lens, with the one on reporting of CSR/sustainability practices to improve CSP, we have a more complete understanding of how organisations decide which ESG issues are salient. Establishing the empirical link between ESG issues brought forward by SRAs in their social ratings and CSR reporting activities, we highlight a mechanism for firms to gain or maintain higher ratings or a higher CSP level. This mechanism based on firms' engagement to a feedback process with SRAs induces higher efforts to pay attention to their prior social ratings in reporting their CSR organisational activities.

3.5.2. ESG Issue Attention

By encouraging some form of dialogue between firms and SRAs by means of the feedback process, social ratings are an essential part of the ESG issue attention mechanism. This mechanism can explain how and why we should expect firms to react to specific stakeholders' interests, in our case to SRAs' evaluation of ESG performance.

Managing for stakeholders includes the mapping of stakeholders and the developing of methods to implement stakeholder assessment processes, such as identifying stakeholders' interests (Aguilera et al., 2007; Freeman et al., 2007; Wood and Jones, 1995). The stakeholder management literature focuses the debate on the multiplicity of stakeholder interests that need to be coordinated (Donaldson and Preston, 1995; Evan and Freeman, 1993; Mitchell et al., 1997) and implies that firms act in a socially responsible manner when their decisions and actions account for stakeholder interests (Maignan and Ferrel, 2004). An essential component of managing for stakeholders is, therefore, not only the identification of stakeholders but also of their interests (Parmar et al., 2010). Although considered as one of the most fundamental topics in the stakeholder literature, stakeholder identification interest needs to be further studied to enhance better understanding of changes in organisational decision-making processes (Parmar et al., 2010). Our study of the telcos and the way they pay attention to ESG issues stresses the importance of shedding light on stakeholder groups other than regulating bodies, employees, customers and NGOs. Financial intermediaries such as social rating agencies (Adam and Shavit, 2008; Chatterji and Toffel, 2010; Scalet and Kelly, 2010; Slager et al., 2010; Slager and Chapple, 2016) deserve our attention as a relevant stakeholder group impacting CSR organisational reporting practices (Arjaliès, 2010; Van den Brink and Van der Woerd, 2004) and to ESG issue attention. In this paper, we developed the idea that SRAs, through their social ratings, drew the attention of firms on specific ESG issues and that those firms, which, on a voluntary basis, were involved into a feedback process concerning the evaluation of their social performance, could advance their CSR reporting as they developed a high level of ESG issue attention. Our qualitative and quantitative analysis also suggests that ESG issue attention had an impact not only on firms' CSR reporting but also on firms' actual CSP (cf. Figure 3.5). This conceptual approach of the identification process is an incipient element of research in organisational responses to social issues management. Additional theoretical and practical developments will be needed to complement the ESG issue attention process (Bansal, Kim and Wood, 2018; Bundy, Shropshire and Buchholtz, 2013; Crilly and Sloan, 2012, 2014; Ocasio, 1997). We illustrate this process cycle in the following conceptual model:

FIGURE 3.5 The ESG issue attention model

3.5.3. Limitations and Future Directions for Research

Corporate social issue attention is distinctively useful to explain organisational responses and CSP outcomes. Our concept offers more than a descriptive, instrumental or normative perspective (Donaldson and Preston, 1995). It provides a linkage between the external assessment of ESG performance factors and firms' CSR practices. However, the attempt to provide a comprehensive overview of the mechanisms and processes by which the impact of ratings on reported practices is channelled has forced us to focus our attention on trends of best or lower performance from a multiple stakeholder perspective (Freeman, 1984; Wood, 1991), as opposed to focusing on the mechanisms proving that companies directly react and adjust their CSR strategy and activities according to the external assessment of their reported practices. While further exploration of these observations is needed, it is fair to suggest that agencies in charge of externally assessing firms' social responsible behaviour do allow firms to make more complete and more informed organisational decisions. Our analysis also shows that there is still a need to examine in more depth the mechanisms and processes by which social ratings impact other CSR practices (Adam and Shavit, 2008; Searcy and Elkhawas, 2012; Scallet and Kelly, 2010; Slager et al., 2010; Slager, 2015; Slager and Chapple, 2016).

Furthermore, our study specifically identifies a need for additional research using CSR reporting and CSP from a time perspective. We observed that, of the 6 telcos we analysed, both Rising Stars 1 and 2 issued their first CSR report at a rather late stage, i.e. in 2008 and 2006 respectively - in comparison with Falling Stars 1 and 2, in 2001 and 2000 respectively - only to find themselves at the top of the CSP leaderboard in 2014. The question therefore is to better understand how the 'latecomers to the bandwagon of CSR' attain a good CSP level in a short period of time? And what impact does this 'late adoption behaviour' have on the future ESG performance of such firms?

Our longitudinal study was aimed at understanding the mechanisms underlying the organisational CSR reporting practices of our sample. It has certainly proven that it sometimes takes a few years before changes can be implemented, but also that firms' commitment to improve their CSP is never a given and that it has to be re-acquired and confirmed year after year. However, when firms have an incentive to engage in a dialogue with the SRA by receiving higher ratings, they will be more willing to adapt their CSR reporting practices. In light of our results, we better understand the role and influence of SRAs and of their external assessment on firms' organisational practices. SRAs which continuously assess the way firms give account of stakeholders' interests and examine the changes they make in their organisational practices also participate in the process of shaping organisational-level CSR activities and policies (Slager, 2015, Slager and Chapple 2016). The processes linked around the practices of social ratings, specifically the ESG issue attention mechanism become, therefore, of high relevance.

CHAPTER 4

MOBILISING FORMS OF JUSTIFICATION AND EVALUATION TO SELL THE RELEVANCE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES INTERNALLY

I wrote this paper with Kristina Lauche and Vera Blazevic. Previous versions of this paper were presented at the 6th CSR Research Seminar, 23-24 June, 2016, Brussels, Belgium; 7th International Conference on Corporate Sustainability and Responsibility, 14-16 September, 2016, Berlin, Germany; 33rd European Group of Organisational Studies Colloquium, 6-8 July, 2017, Copenhagen, Denmark; and the 34th European Group of Organisational Studies Colloquium, 5-7 July, 2018, Tallinn, Estonia.

ABSTRACT

Firms are increasingly committed to social performance objectives, yet we know very little about how organisations detect and incorporate social issues through corporate social responsibility practices. In this paper, we highlight the pivotal role of sustainability officers as they interact externally with social rating agency analysts and internally with their organisational colleagues, to influence the processes of evaluating and justifying environmental, social and governance (ESG) issues. Based on a qualitative study in the telecommunications sector, we show how sustainability officers respond to analysts' social ratings, and pick up these issues in their internal dialogue with their peers and top managers. We combine the issue-selling literature with Boltanski and Thévenot's 'economies of worth' framework to analyse the dynamics of justification and evaluation of social performance. Our findings shed light on three types of processes - worth testing, compromising and negotiating - that sustainability officers mobilise when engaging in these external and internal dialogues. Our research also suggests that sustainability officers not only influence ESG issues attention, and make them more salient inside their firms, but that they also play an active role in capturing and bringing together separate and competing concepts of 'worth'. Our work contributes to the literature on valuation, justification, and issue selling in the field of social issues management.

"Society is demanding that companies, both public and private, serve a social purpose' and 'every company must not only deliver financial performance, but also show how it makes a positive contribution to society."

(Laurence Fink, CEO, BlackRock, January 2018)

4.1. INTRODUCTION

In his 2018 annual letter to the corporate community, the CEO of BlackRock told business leaders that their firms would need to do more than make profits, if they wanted to continue receiving the support of the largest investor in the world. They would need to contribute to society as well. Fink's comments underscore a trend adopted by pension funds to exclude tobacco and nuclear weapons from their portfolio, divest from fossil fuels, sue the five largest oil companies over climate change, and invest more in green and social bonds (ABP, 2018; BNZ, 2017; City of New York, 2018). Firms thus have a vested interest in responding to investors' demand regarding social issues, and, in particular, to pay attention to the social rating agencies (SRAs) that provide investors with ratings based on their assessments of the positive and negative activities firms deploy to manage environmental, social and governance (ESG) issues (Delmas et al., 2013; Scalet and Kelly, 2010). Accordingly, corporate sustainability officers focus their attention on understanding how SRA analysts select and evaluate these ESG issues, informing their corporate peers and top managers on their worthiness, and eventually influencing decisions and actions, thus driving internal organisational dynamics.

Issue selling builds on the notion that actors outside of senior management seek to direct corporate attention to what they regard as strategically relevant for management (Dutton et al., 2001; Dutton and Ashford, 1993). Social issue selling refers to the issue selling processes, which specifically focus on ethical, social, or environmental issues and mobilise individuals other than senior managers to act not for their personal advantage but for their organisation and society at large (Alt and Craig, 2016; Howard-Grenville, 2007; Risi and Wickert, 2016; Sonenshein, 2009; Wickert and De Bakker, 2018).

Scholars are still trying to understand how and why firms choose and adapt their socially responsible behaviour. Some studies have highlighted the role of important external actors, specifically SRAs, in fostering CSR initiatives at an organisational level of analysis (e.g. Slager and Chapple, 2016; Delmas et al., 2013). The need for more research at an individual level remains, including for more research on the micro-foundations of CSR, meaning the foundations 'based on individual action and interactions' (Aguinis and Glavas, 2012, p. 956) to promote social change (Aguilera et al., 2007). Thus, researchers have begun to investigate what happens inside firms when those in charge of CSR, essentially their 'sustainability officers', attempt to shape the way their organisations engage in CSR (e.g. Wickert and De Bakker, 2018). In their interactions with SRA analysts, these sustainability officers receive valuable information concerning new or emerging ESG issues; in their interactions with their corporate peers and top managers they try then to sell these new and emerging issues. In this interface position, sustainability officers become social change agents who generate dialogues and collaborations inside and outside firms in an attempt to change firms' practices, fostering therefore higher levels of corporate sustainability (Slager et al., 2012; Sonenshein, 2012). Understanding how their role as internal change agents also expands outside their firms, however, has proven more difficult.

Our aim with this paper is to investigate how the interaction between the external evaluation of ESG issues conducted by SRAs operating outside the firm impacts internal discussions inside the firm and, specifically how sustainability officers deal with this ESG information both externally and internally. As SRA analysts rate firms based on what they consider worthy of responsible behaviour and make critical assessments of the firms' CSR reporting and sustainability practices, sustainability officers engage in a series of interactions and 'generative dialogues' (Sonenshein, 2012) about 'what is worth' monitoring, evaluating and reporting on the firm's ESG issues: first with SRA analysts and then with their corporate peers and top-level managers. We, therefore, highlight their role as actors mobilising for ESG issues, and ultimately for social change.

In order to analyse these interactions, we zoom in on sustainability officers as the key actors in mobilising ESG issues, and explore the processes and dynamics of ESG evaluation practices and CSR reporting as justification practices (Reay, Golden-Biddle and Germann, 2006; Wickert, Scherer and Spence, 2016). Contributing to the literature on the micro-dynamics and micro-level perspectives on CSR, we draw on the issue selling body of research (Dutton and Ashford, 1993; Dutton et al., 1997; Dutton et al., 2001; Howard-Grenville, 2007; Sonenshein, 2009) to feed our understanding of sustainability officers' dynamic 'moves' for social change, both outside and inside firms (Alt and Craig, 2016; Wickert and De Bakker, 2018).

We address the following questions: 1) How do sustainability officers negotiate ESG issues with SRA analysts? 2) How do sustainability officers pick up these ESG issues to negotiate them internally inside their firm? 3) How do these negotiating moves impact the reporting of business practices for social change?

Issue selling regarding social performance in the eyes of external investors is different from other issues that may or may not be seen as strategically relevant: it concerns an explicit negotiation of 'worth' and 'value'. In order to theorise these negotiation processes, we draw on French pragmatic sociology, namely on the 'Economies of Worth' framework by Boltanski & Thévenot (2006 [1991]). This novel approach to the study of a plurality of logics or 'orders of worth' forms part of a work collectively known as 'the economics of convention', that economic sociologists have developed as a 'sociological theory of value' (Stark, 2009). Although each of the orders of worth implies its own criteria of judgment, multiple values and multiple principles of evaluation coexist. Drawing on Boltanski & Thévenot (2006 [1991]), we bridge the traditional gap between an instrumental 'value' world, which relies on a market price and is epitomised under the concept of 'shareholder value', and a 'values' world relying on ethical and moral considerations often associated with sustainability and CSR practices. This approach helps us understand processes of social change in organisations as we study how sustainability officers determine 'worth' in their day-to-day activities, and how they give sense to what counts and what is valuable, inside and outside their firms.

The paper contributes to the literature on social issue selling in two ways. First, it shows how social issues arise and are being negotiated between external and internal actors. It underscores how issue recipients interact inside the firms by taking social issues on board from outside and how they subsequently become issue sellers who shape organisational change through negotiating moves. Second, we add the theory of justification and its economies of worth framework (Boltanski & Thévenot, 2006 [1991]) to explain how 'value' is being negotiated within firms and how it is inherently connected to both a social and an economic perspective, hence driving the accomplishment of economic and social objectives of society at large.

The paper begins by identifying gaps in the literature on organising CSR, particularly around exploring responses to ESG issues and ESG evaluation sustainability practices, and by bringing together the issue selling literature and the theoretical elements of justification theory. We then introduce the qualitative research methodology and the data that we use to study evaluation and justification processes at an individual level. After presenting our findings, the paper concludes by outlining the processes of worth testing, negotiating and compromising, and by discussing the significant consequences of sustainability officers' moves as they trigger strategic and organisational changes, thereby becoming social agents for the 'common good'.

4.2. THEORETICAL BACKGROUND

We review three bodies of literature that provide important theoretical foundations for understanding sustainability officers' dynamic 'moves' for ESG issues, both outside and inside firms: organising for CSR, issue selling, and economies of worth.

4.2.1. Organising for CSR

Organising for CSR can take many different forms and scholars have traditionally used stakeholder theory to explain it (Freeman, 1984; Freeman et al., 2007; Garriga and Melé, 2004; Rasche et al., 2013). The CSR concept is multidimensional and concerns the way in which firms address social and environmental issues, implement policies, and manage related activities, placing an important focus on the interactions with stakeholders, hence conceptualising CSR management practices under 'stakeholder management' and 'stakeholder engagement' (e.g. O'Riordan and Fairbrass, 2014).

Most of the studies have focused on the interactions between the firm and its external stakeholders at a macro-level, looking at firms' responses to different social demands (e.g. Aguilera et al., 2007). Discussing CSR as an antecedent of social change and proposing different actors' motives to implement CSR initiatives, some scholars pointed out the pressure that outsider groups could exert on particular insider groups to adopt social responsibility within firms (Aguilera et al., 2007) and called for micro level studies to better analyse CSR practices. Examining organisational responses to social issues at an individual level of analysis, they suggested that the interactions of managers as key insiders of the firm with outsider organisational actors might have an indirect effect on the way organisations address CSR practices (e.g. Acquier, Daudigeos & Valiorgue, 2011; Sonenshein, 2009; Sonenshein, De Celles & Dutton, 2014). However, because of the many challenges firms face in a global economy, direct support for social issues is not often guaranteed (Bansal, 2003; Sonenshein et al., 2014) and an in-depth understanding of middle managers' explicit role in organisational responses to social issues is needed (Bansal, 2003). Scholars recommend to analyse the CSR concept as an integrative concept, which influences firms' stakeholder relationships (Aguilera et al., 2007; Garriga and Melé, 2004), focusing specifically on the 'external and internal dynamics' of interactions (Costas and Kärreman, 2013, p. 395). So far, no studies have offered to study both external and internal dynamics as one phenomenon mobilising moves for CSR and social change.

There is consensus that CSR is a source of value for firms (e.g. Delmas et al., 2013; Galbreath, 2013; Slager and Chapple, 2016). Seeking competitive advantage, managers try to convert social value into financial value by internalising social and environmental costs in their overall financial performance (e.g. Branco and Rodrigues, 2006; Hollandts and Vialorgue, 2011). Firms respond to social ratings and evaluations of their ESG performance by voluntarily incorporating social and environmental issues into their agenda, and by reporting on CSR business practices (e.g. Chatterji and Toffel, 2010; Roca and Searcy, 2012). Further contemporary research investigated the role of these ratings in fostering more responsible investment practices for long-term economic value creation (e.g. Busch et al., 2016; Dumas and Louche, 2016; Ioannou and Serafeim, 2015). Other key studies also examined the valuation of CSR and sustainability practices from an instrumental perspective, showing more specifically how firms adjust their performance in response to social ratings (Chatterji and Toffel, 2010; Chatterji et al., 2016; Girerd-Potin et al., 2014; Searcy and Elkhawas, 2012; Slager, 2015). However, very few scholars investigated CSR evaluation practices and modes of justification (Gond, Barin Cruz, Raufflet & Charron, 2016), exploring in particular how such evaluations affect CSR organisational processes (Delmas et al., 2013; Slager, 2015).

The question of how exactly firms' valuation of social and environmental issues is created, and how it affects firms' justification of CSR business practices in their reporting remains open (Gray, 2010; Marcus, 2012; Schwartz and Carroll, 2003; Schwartz and Carroll, 2008). In the same vein, the nature of the relationship between firms and SRAs and the processes of how managers internally influence firms to exercise their social responsibility and give account of this responsibility in their CSR reporting practices remain unclear (e.g. Aguilera et al., 2007; Schwarz and Carroll, 2008). We, therefore, want to explore the interactions between sustainability officers and other actors within firms, and between sustainability officers and SRA analysts around processes of ESG issues evaluation, and examine how these interactional processes and dynamics impact firms' justification practices as they report on ESG issues.

4.2.2. Issue selling

The literature on issue selling introduces the notion that actors outside senior management 'use a repertoire of moves to sell issues and affect top-level decision makers' attention' (Dutton et al., 2001, p. 716) and have an upward influence on top management teams, thus shaping organisations' strategic actions (Howard-Grenville, 2007). Issue selling is the process by which some individuals, issue sellers, try to get the attention of others, using a set of moves to explain 'events, developments, and trends that have implications for organisational performance' (Dutton et al., 2001, p. 716), and convince others about the well-founded merits of their persistence to capture their attention on these issues. Issue sellers are trying to 'sell' issues using three types of knowledge - relational, normative and strategic knowledge - and using different techniques: packaging, involvement and process moves (Dutton et al., 2001; Howard-Grenville, 2007). Looking into successful issue selling processes in organisations, scholars showed that timing and preparedness were needed for issue sellers to effectively mobilise decision makers' attention to issues and that top-level managers generally attended to issues they found more convincing, 'with greater organisational legitimacy, value and relevance' (Dutton et al., 2001, p. 730). Issue selling scholars have highlighted the dynamic character of issue selling processes as attempts of proactive upward influencing to make the case for change but also underlining their complexity as they implied efforts to involve others (Dutton et al., 2001). As issue sellers build relationships with issue recipients and take moves that can affect decision-making processes and organisational performance, it is then crucial to investigate the context for issue selling as well as its dynamic processes (Ashford, Rothbard, Piderit & Dutton, 1998; Dutton and Ashford, 1993; Dutton et al., 2001; Howard-Grenville, 2007). Yet, understanding how middle managers do accomplish these processes remains incomplete (Dutton et al., 2001). The issue selling literature has highlighted the pivotal role middle managers play in detecting new issues, in using various issue-selling tactics and in creating change initiatives. Relying on impression management and upward influence research, scholars have identified the favourable contexts for selling issues to top-level managers: e.g. top management's willingness to listen, supportiveness of the culture, competitive and economic pressures or change in the organisation (Dutton et al., 1997). However, they also suggest that issue sellers do not only pay attention to conditions taking place inside the organisation's boundaries but also outside (Dutton et al., 1997). For example, issue sellers operate in different spheres, handling both agreement and disagreement, facing situations of justice and injustice, trying to sell the right issue and the controversial one, and also involving others both inside and outside their organisation (Dutton et al., 1997; Howard-Grenville, 2007; Sonenshein, 2009). Thus, in the context of CSR when issue sellers mobilise decision makers' attention around social issues and pitch for social change (Sonenshein, 2009; Wickert and De Bakker, 2018), several questions remain unresolved: What is the role of external actors in the emergence of ethical, social and environmental issues inside organisations (Sonenshein, 2009, 2012)? Which role do dynamics of interactions play in creating social change internally (Dutton and Ashford, 1993; Howard-Grenville, 2007)? Are the origins of social change also planted *outside* firms and not only *inside* as the issue selling research suggests (Sonenshein, 2012)? What are the issue selling moves generating attention and action inside firms?

4.2.3. Economies of Worth Framework

The economies of worth framework (henceforward called the EoW framework) was developed by Boltanski and Thévenot in their seminal book On Justification (Boltanski and Thévenot, 2006 [1999]). In this book, they analyse the 'pragmatic conditions of the attribution of worth' in a given situation, and use concepts of worth and principles of order taken from political philosophy to 'spell out in what the worth of the worthy consists and how a justifiable order among persons is established' (Boltanski and Thévenot, 2006 [1999], p. 14). Their main goal was to build a model of analysis to support the pragmatic sociology of critique that refocuses attention on actors 'as the main agencies of performance of the social reality' (Boltanski, 2011 [2009], p. 43).

Given the pluralistic context of our study, where individual actors enact plural values, the EoW framework is useful for our study. In that framework, six 'common worlds' or 'orders of worth' conflict with each other: the market world, the industrial world, the civic world, the domestic world, the inspired world and the world of fame. Two other worlds were later proposed: the project world (Boltanski & Chiapello (2005, [1999]) and the green world (Lafaye & Thévenot, 1993; Thévenot, Moody and Lafaye, 2000). Singling out different principles of worth, methods of evaluation, competences, subjects, qualifiers, and other elements that are specific to the construction of each 'common world', Boltanski and Thévenot (2006 [1991]) presented a 'common underlying structure or if you like, grammar' (Boltanski, 2011, [2009], p. 26). This grammar (cf. Table 4.1) serves to evaluate and justify 'worth' and also to account for the interaction between actors when tensions arise, shedding a specific light on the relation between agreement and discord.

It is in the name of what is considered 'just' or 'right' within each order of worth that actors act and interact, switching from one to the other. What is considered just will have to pass tests of worth or reality tests (model test). Each common world identifies what is most worthy (state of worthiness) and, depending on their state of worthiness and their mode of evaluation (mode of expression of judgment), one can justify the validity and legitimacy of an array of arguments (forms of evidence) within each common world. The relation between agreement and discord (relation of worth) over this worthiness may create disputes. But it is these situations of dispute that give salience to concepts and principles of worth. Equally important to understand the overall programme of the authors is their conceptualisation of a *polity (cité) model*, with its *principles of worth*, where 'the notions of worth and of the common good are merged, combined in the *higher common principle*' (Boltanski & Thévenot, 2006 [1991], p. 77). Establishing a link between social sciences and moral philosophy, justification theory suggests that there are as many kinds of higher common principles and forms of common good as there are orders of worth but that 'in order to agree on what is just, then, human beings must be acquainted with a common good' (Boltanski & Thévenot, 2006 [1991], p. 145). (For an overview and description of other elements of grammar of Boltanski and Thévenot's Order of Worth, see Cloutier and Langley, 2013).

'Questioning' worth and understanding the 'agreement-reaching process' matter to understand how forms of worth emerge and reproduce themselves (Boltanski, 2011 [2009]; Boltanski & Thévenot, 2006 [1991]; Thévenot, 1997). Boltanski and Thévenot (2006 [1991]) put a lot of emphasis on the 'agreement-reaching process' that we further call 'process of compromising' as it gives life to other concepts, which are central to their theory of justification such as *moral sense, common good, common humanity, common dignity and sense of justice.* 'In a compromise, the participants (…) are favourably disposed toward the notion of a common good without actively seeking one. This objective is achieved by seeking the general interest, that is, not only the interest of the parties involved but also the interest of others not directly affected by the agreement' (Boltanski & Thévenot, 2006 [1991], p. 277-8).

An increasing number of scholars are bringing Boltanski and Thévenot's approach to light in the field of organisation, management and marketing, with very insightful descriptions and clarifications of its key concepts (Cloutier & Langley, 2013; Cloutier, Gond and Leca, 2017; Denis et al., 2007; Gond, Leca and Cloutier, 2015; Jagd, 2011; Patriotta, Gond and Schulz, 2011).

TABLE 4.1 The EoW grammar - Key elements of the EoW framework*

CATEGORIES	DESCRIPTIONS (using 'orders of worth' terminology)	OTHER KEY ELEMENTS OF THE CATEGORIES (using 'orders of worth' terminology)
HIGHER COMMON PRINCIPLE	Core organising principle that characterises a given world, for example, what 'matters most' in any given situation	Core organising principle that characterises a given world, for example, what 'matters most' in any given situation
STATE OF WORTHINESS	Characteristics that help define what is most 'worthy' and therefore valued in a given world	It is what identifies a world. One cannot attribute worth to a given world except by starting with the knowledge of its state of worthiness.
RELATION OF WORTH	Concept that differentiates what is worthy from what is 'less worthy' in a given world	It focuses on the relation between agreement and discord regarding what is worth what. Where disputes arise
MODEL TEST	A test is an objective means for assessing worthiness, a model test or test of reality. Serves as a tool for resolving disputes or conflict within a given world.	Worthy individuals put their claims to the test of reality when interacting with other worthy individuals using their judgement. Their experience of testing includes learning what matters, and opening their eyes to look at other worlds and at the beings that ensure their presence.
MODE OF EXPRESSION OF JUDGMENT	Mode of evaluation. Concept that defines how worth is evaluated in a given world	The mode of expression in which the judgment is expressed characterises the form in which the higher common principle is manifested. To judge justly, one needs to have a moral sense and an ability to concentrate one's full attention on the beings that do matter.
FORM OF EVIDENCE	An evidence is the relevant proof that justifies an array of arguments and makes them legitimate.	It requires the knowledge appropriate to a given world to permit the attribution of worth.

* Adapted from Cloutier and Langley, 2013, and Boltanski & Thévenot, 2006 [1991]

To the best of our knowledge, limited empirical research has been done to explore the way firms mobilise practices of justification and evaluation, and how coordination processes among actors materialize and lead to compromises (Gond et al., 2015). In this sense, we suggest the need for a convergence between the issue selling literature and the EoW framework as such convergence should help better understand not only the dynamic interactions between social issue sellers and other actors inside and outside organisations but also how social value is inherently connected to economic value.

4.2.4. Processes of Worth Testing and Compromising to Sell Social Issues

In the EoW framework, tests and compromises are key concepts. Tests demonstrate actors' worth and determine the criteria for worthiness in each common world (Gond et al., 2015). Although not interdependent, multiple common worlds can coexist in the form of compromises (Gond et al., 2015). To better understand how issue sellers promote social issues, we take a closer look at the processes of worth testing and compromising in the common worlds or orders of worth - where sustainability officers are most active, that is when interacting with SRA analysts, and with their corporate peers and top managers: the market world, the civic world, the industrial world, and the green world (cf. Table 4.2). Keeping the perspective of social issue selling in mind, we examine the modes of evaluation and justification which sustainability officers mobilise in these four common worlds and identify the elementary categories used in the EoW framework as well as the keywords qualifying the categories corresponding to the common worlds. (cf. Table 4.3).

TABLE 4.2 Summary description of the civic, industrial, market, and green worlds[1]

CIVIC	THE REALM OF DUTY AND SOLIDARITY. In this world, what is valued is that which is united, representative, legal, official and free. Individuals in this world accede to worth by freely joining and being part of a collective; their individual will subordinate to the general will – that which seeks the common good, the good of all. Leaders are elected and valued because they represent the aspirations of the masses. To place individual interests ahead of collective interests is panacea in this world. One for all, and all for one.
INDUSTRIAL	THE REALM OF MONEY AND THE MARKET. In this world, what is valued is rare, expensive, valuable and profitable. The law of the market prevails, and actors deemed worthy are those who know how to take advantage of it and reap its rewards, such as wealth. Wealth is an end, and individuals with dignity in this world are 'detached from the chains of belonging and liberated from the weight of hierarchies'. This gives them the ability to judge market opportunities objectively and unemotionally, and thus 'win'.
MARKET	THE REALM OF MEASURES AND EFFICIENCY. In this world, what is valued is precise, functional, professional, productive, efficient and useful. A world in which technological objects and scientific methods take centre stage. Optimization and progress are noble pursuits. All forms of 'waste' are frowned upon. Actors in this world are professional, hard-working, focused and thorough. Perfection is to be found in the optimally functioning system (whether mechanical, technological or human).
GREEN*	THE REALM OF THE NATURAL ENVIRONMENT AND ECOLOGICAL BALANCE. In this world under construction, disputes around environmental concerns draw the legitimacy of modes of evaluation and justification from other orders of worth. Sustainable development is an end, and environmental issues are constraints that must be addressed. Actors in this world place worth on the natural environment, ecological continuity, the ecosystem, and the capacity of the environment to absorb pollution.

*The green world is an addition to Cloutier and Langley (2013) who describe three other worlds: domestic, fame and inspiration.

[1] Adapted from Cloutier and Langley (2013) after Boltanski and Thévenot (2006 [1991]), Lafaye and Thévenot, 1993, Thévenot, Moody and Lafaye, 2000

TABLE 4.3 Common worlds and elementary categories of the EoW framework*

(Below terms, are keywords qualifying the categories corresponding to the common worlds in the EoW framework. Terms in italics lend themselves best for our data analysis in the context of ESG issue selling)

COMMON WORLDS	HIGHER COMMON PRINCIPLES	STATE OF WORTHINESS	RELATIONS OF WORTH	TESTS OF WORTH	MODES OF JUDGMENT	FORMS OF EVIDENCE
MARKET	Competition	Profitable	Business Buy/Sell *Negotiate*	Market competitiveness *Business sense*	Price, Cost *Assignment of value*	Monetary value *Profit*
CIVIC	Collectives	Representative of the collective	Gathering for collective action *Informing & debating*	Demonstration for a just cause *Meetings*	Collective welfare *Societal values*	Laws, Rules *Policies*
INDUSTRIAL	Efficiency	Efficient	Function *Measuring & bringing to light*	Reliability *Evaluating performance*	Technical efficiency *Achievement of effectiveness*	Measurement *New causes*
GREEN	Sustainable Development	Ecological	Nature and the Environment *Protecting and preserving the planet*	Sustainability Renewability *Environmental performance*	Environmental friendliness *Achievement of ecological balance*	Ecological Ecosystemic *Environmental impact*

* Adapted from Boltanski & Thévenot, 2006 [1991], Lafaye and Thévenot, 1993; Thévenot, Moody, & Lafaye (2000), Reinecke et al., 2017

Organising for CSR, evaluating and justifying ESG issues, social issue selling, and EoW are important theoretical foundations for understanding how sustainability officers enact moves from a world considering primarily instrumental value towards a world considering social value, and how they interact with other actors inside and outside their firms. Zooming in on the organisational dynamics in the context of ESG evaluation from the perspective of sustainability officers is an opportunity to examine more closely the interplay between instrumental and normative perspectives (Wickert and De Bakker, 2018), and expand the relational approach to issue selling outside the boundaries of their firms (Dutton et al., 1997). Equally important, the decision to enrich the 'issue selling' body of empirical research (Ashford et al., 1998; Dutton and Ashford, 1993; Dutton et al., 1997; Dutton et al., 2001; Howard-Grenville, 2007; Sonenshein, 2009) with the theoretical analysis based on the EoW framework (Boltanski & Thévenot, 2006 [1991]) allows for new theoretical insight for the literature on social issue selling (Aguinis and Glavas, 2012).

4.3. RESEARCH METHODOLOGY

We examined the processes and dynamics of worth testing and compromising regarding ESG issues by using a qualitative approach. This approach led to analyses that fitted best with the process nature of our research as we wanted to provide a better understanding of the dynamic 'moves' key actors were enacting, both outside and inside firms. We decided to focus on a single industry, the telecommunications industry, so as to obtain rich information and depth of understanding on these dynamics. Ever since state monopolies were converted into global telecommunications companies (telcos), this industry has faced many transformations starting with the full liberalisation of the sector in the 1980s to the arrival of mobile phone connections in the 1990s (European Commission, 2000). Today, the industry is in transition and a global digital revolution is announced for 2020 and beyond (Ernst & Young, 2017). In this context of continuous change and constant need for adaptation, we follow a purposeful sampling approach to describe and illustrate what is typical in the dynamics of evaluation and justification of ESG issues at an individual level (Patton, 2002).

4.3.1. Data Collection

We collected qualitative data from multiple sources, including sustainability reports, ESG rating reports and interviews. The data consisted, first and foremost, in gathering and analysing primary data. First, we collected information on the specific issues SRA analysts were interested in when assessing the ESG performance of telecommunications firms, and identified trends and industry-specific key sustainability issues outlined in sustainability reports. We also analysed the ESG rating reports of 25 of the world's largest telecommunications companies (telcos) and highlighted their level of participation with SRA analysts in the rating process. Either the telcos actively participated in the rating process and voluntarily provided additional information and comments on the rating to the SRA analyst, or they did not provide additional information or comments on their social ratings, and in that case, the ratings were based solely on publicly available information.

Second, we investigated the interaction between telcos and their external actors through the following interviews: 12 sustainability officers, 8 SRA analysts and five individuals who systematically consider ESG issues in their investment analyses or auditing practices. In order to get an in-depth understanding of the dynamics around ESG issue selling, we specifically focused on the interaction between sustainability officers and SRA analysts. We had the unique opportunity to benefit from the insider-outsider status of the first author who was an SRA analyst during almost five years and who, during the ESG rating process, had regular contacts with the sustainability officers of the telecommunications industry. She had forged professional and, at times, cordial relationships with most of them, and when she left the agency, she was able to arrange and conduct interviews openly and in an atmosphere of professional confidentiality. She was able to ask her informants, among other things, about the tensions in their firms regarding ESG issues and how their position, within their firms, at a hierarchical or divisional level, had evolved over the years. These interviews contained 10 questions distributed in two parts: 1) stakeholder management, and 2) ESG rating systems and organisational practices (cf. Appendix H). As an example, two of the questions were formulated as follows: 1) What dialogue (formal or informal) is in place between sustainability analysts / sustainability rating agencies and your company as regards sustainability issues and what impact do you think this dialogue has on your management practices and structures? 2) What impact sustainability analysts/ sustainability rating agencies, have or have had on the way your company addresses or has addressed sustainability issues?

With these questions, we intended focus on the role of sustainability officers, inside and outside their organisations, to understand how they responded to SRA analysts demands, how they were selling social issues internally and how influential they were in resolving tensions about ESG issues, hence bringing about organisational change. Each interview lasted between 60 to 135 minutes (approximately 110 minutes on average) and was conducted via personal meetings, phone or Skype.

We also contacted the social rating agency with whom the first author had worked as an SRA analyst, and asked to interview some of its analysts, including the one currently in charge of the telecommunications industry. We conducted 8 semi-directed interviews face-to-face, which lasted between 30 to 60 minutes (on average about 40 minutes). The interview guideline contained 13 questions, many of them addressing the interaction between analysts and sustainability officers. They included questions such as the following: a) What dialogue (formal or informal) is in place between you and the sustainability officers) b) How do the companies you rate react to your ESG rating downgrades and upgrades? c) Which logic/rationale/beliefs/values do you follow to perform the ESG evaluation of companies?

We also interviewed 3 investors, who use ESG information for better-informed investment decisions and 2 auditors, who provide external assurance or verification letters to accompany the CSR or sustainability reports. Interviews with the investors were conducted face-to-face or by phone. They were open and unstructured, and lasted between 90 to 150 minutes (approximately 105 minutes on average). Interviews with the auditors were conducted only face-to-face. They were open and unstructured, and lasted between 60 and 95 minutes (approximately 75 minutes on average). This brings the number of interviews to 25 for a total of 35.2 hours (cf. Tables 4.4 & 4.5).

TABLE 4.4 List of interviews with sustainability officers

COUNTRY	INTERVIEWEES	LANGUAGE	LENGTH OF INTERVIEWS (IN MINUTES)
1. CANADA	Corporate Responsibility and Environment Senior Specialist	English	85
2. UNITED KINGDOM	Director of Analyst Relations and SRI	English	60
3- ITALY	Sustainability Manager	English	80
4. HUNGARY	Head of the Corporate Sustainability Centre	English	80
5. GERMANY*	Senior Expert Group Corporate Responsibility (Controlling)	English	90
6. GERMANY*	Senior Expert Group Corporate Responsibility (Stakeholders)	English	-
7. SWEDEN	Sustainability Manager	English	135
8. SWEDEN	Sustainability Director	English	90
9. THE NETHERLANDS	CSR Manager	English	75
10. AUSTRALIA	General Manager, Governance, Integration and Reporting	English	90
11. THE NETHERLANDS	Sustainability Manager	English	85
11. FRANCE	Group CSR Coordinator	French	75
12. SPAIN**	Sustainability and CSR Manager	Spanish	75
12. SPAIN**	Global Director of Stakeholder Engagement and Corporate Reporting	Spanish	-
TOTAL NUMBER OF MINUTES:			**1095**

* These two interviews took place conjointly
** These two interviews took place conjointly

TABLE 4.5 List of interviews outside the firms

COUNTRY	INTERVIEWEES	LANGUAGE	LENGTH OF INTERVIEWS (IN MINUTES)
13. FRANCE	Investor	French	75
14. BELGIUM	Investor	English	150
17. THE NETHERLANDS	Investor	English	90
15. THE NETHERLANDS	Auditor	English	60
16. THE NETHERLANDS	Auditor	English	95
8. GERMANY	SRA analyst	English	45
19. GERMANY	SRA analyst	German	30
20. GERMANY	SRA analyst	English	60
21. GERMANY	SRA analyst	English	40
22. GERMANY	SRA analyst	English	30
23. GERMANY	SRA analyst	English	20
24. GERMANY	SRA analyst	French	30
25. GERMANY	SRA analyst	English	60
		TOTAL NUMBER OF MINUTES:	**785**

4.3.2. Data Analysis

To analyse the data, we followed three steps that are captured in our data structure shown in figures 4.1.a and 4.1.b.

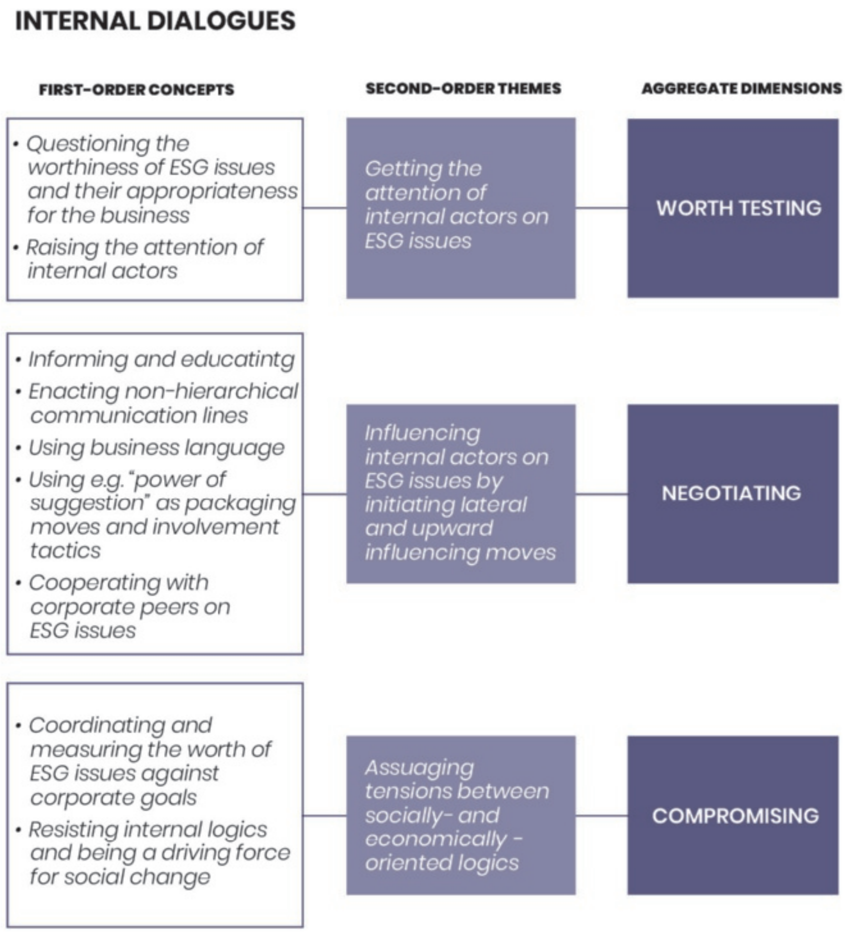

FIGURE 4.1.a Data structure (internal dialogues)

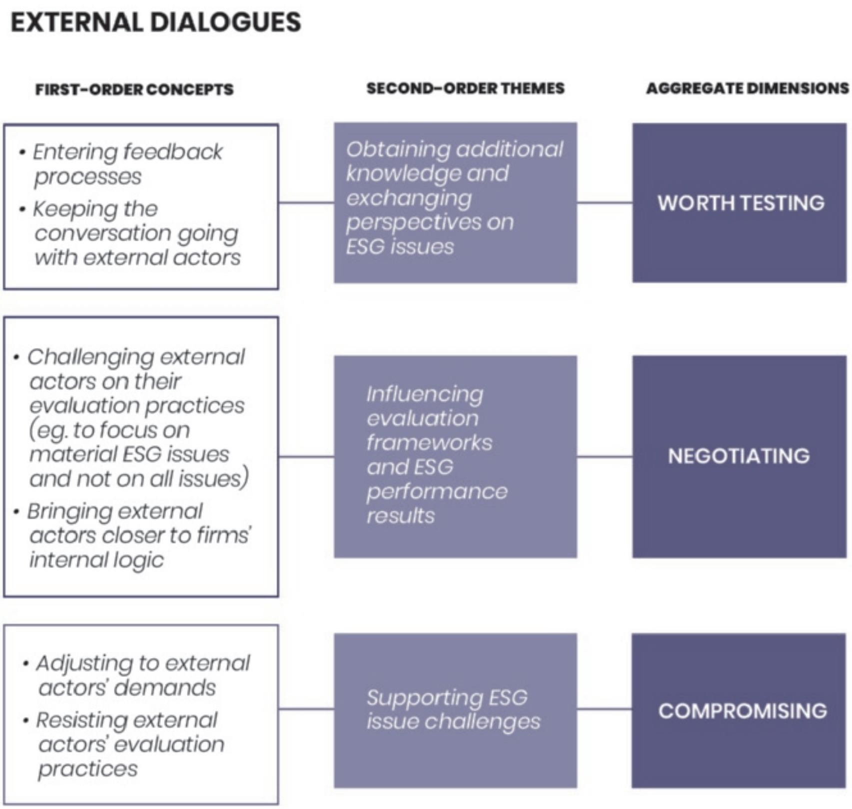

FIGURE 4.1.b Data structure (external dialogues)

Step 1: Initial data coding. During research meetings, we selected interview quotes, which were highlighting specific organisational processes and which were giving us insights regarding the notions of worth, valuation and justification concerning ESG issues. We interpreted the quotes, corroborated them with other primary data such as CSR reports and social rating reports, and grouped the data under relevant codes. We then organised these data in statement cards in order to identify more clearly the dynamics of interactions between key actors, focusing specifically on the moves taking place from the position of the sustainability officers, either outside or inside their firms.

Step 2: Theoretical concepts. Our initial analysis of the data was followed by two major stages of coding theoretical concepts: categorization in first-order concepts and second-order themes, and structuring. The first type of coding involved categorising first-order concepts that were helping us understand, from the sustainability officers' perspectives, how they were interacting with others, and how they were experiencing these interactions in their daily practice. For that, we identified key words, selecting characteristic quotes, and grouping them under relevant concepts. We then created second-order themes, which were representative of more generalizable theoretical concepts that were matching evaluation and justification processes in the context of ESG issues. The second type of coding consisted in structuring the second-order themes, which focused on processes of ESG valuation and justification that were explaining the role of sustainability officers as they were engaging in external and internal exchanges.

Step 3: Aggregate dimensions. The last step of coding consisted in interpreting and abstracting the first-order categories and the second-order themes previously selected in order to highlight the specific organisational micro-processes sustainability officers were mobilising. First-order categories and second-order themes were giving us privileged and rich insights regarding the complex role of sustainability officers, externally as ESG issues recipients, and internally as ESG issue sellers and social change agents. We needed to identify the variety of orders of worth that sustainability officers were confronted with, and in which agreements, and/or disagreements were exposed around evaluation practices and evaluation results. General and theoretical themes were identified and modified at various occasions as we wanted them to best reflect the data. Following categorization and the first-level abstraction, we went to a last but higher level of abstraction and selected three theoretical themes that specifically shed light on micro-processes of evaluation and justification practices from the sustainability officers' perspective: worth testing, compromising, and negotiating for social change. The data analysis is illustrated in tables 4.6 and 4.7.

TABLE 4.6 Mobilising forms of justification and evaluation to sell ESG issues by engaging in external dialogues

FIRST-ORDER CONCEPTS	SECOND-ORDER THEMES	ILLUSTRATIVE QUOTES FROM INTERVIEWS	AGGREGATE DIMENSIONS
Entering feedback processes	Obtaining Additional Knowledge and Exchanging Perspectives on ESG Issues	*We have more and more integrated conversations with the likes of oekom research, Bloomberg, Sustainalytics, Corporate Knights, and Dow Jones Sustainability Index. So, starting in 2012, I have been reaching out to all these groups to find out 'why are you asking me these questions? What is it you are really looking for? Why is it important to you?' and also to get feedback (Sustainability Officer, 1).*	**WORTH TESTING**
Paying attention to and finding value in external actors' evaluation practices (e.g. shedding light on unknown ESG issues)		*We actually draw a lot from the questionnaires we receive from the rating agencies. (...). And so, we have been adding KPIs to reporting monitoring system which we drew from the questionnaires, for example revenues from adult content or gambling, or a lot of KPIs relative to suppliers. There are lots of things that have changed in the company because of the stimulus from rating agencies (Sustainability Officer, 3).*	
Keeping the conversation going with external actors		*To some, we can give information only, while with others we need a dialogue. (...). I went to a rating agency's 'Meet Your Analyst Day' three years ago and I met my analyst there. I told her about the processes within our company, what a rating enquiry causes at our company so as just to give her a bit of insight about what a simple rating request causes internally... like thirty people going wild because they have 10 days to reply. And it is more like an engagement because we continue talking even closer during the following weeks (Sustainability Officer, 5).*	

FIRST-ORDER CONCEPTS	SECOND-ORDER THEMES	ILLUSTRATIVE QUOTES FROM INTERVIEWS	AGGREGATE DIMENSIONS
Challenging external actors on their evaluation practices (e.g. to focus on material ESG issues and not on all issues)	Influencing Evaluation Frameworks and ESG Performance Results	*We had more and more integrated conversation with the rating agencies (…) and also were able to give feedback and say: 'The way you are evaluating waste isn't actually helpful because you are neglecting a whole lot more important issue: what do you do with the waste once you have generated it?' You know, it is not just 'how much waste you have generated? … it is 'what happens afterwards?'. You should rather measure what do we do with the waste and not how much waste we produce. (…) (Sustainability Officer, 1).*	NEGOTIATING
Bringing external actors closer to firms' internal logic		*We follow the stakeholder-based frameworks. It makes much more sense to just say: 'okay, so what is expected of us?' on the one hand, and then, on the other hand, 'what should we do that is beyond the minimum expectation?' Even though the rating schemes can be quite prescriptive … 'you should do your stakeholder engagement like this; you should structure your materiality, and these are the sort of things you should be working on', we are not going to align our entire operations on the GRI guidelines. Now, owners, investors, financial analysts: they are the ones. They say, 'Jump' and we say, 'How high?' (Sustainability Officer, 7).*	
Adjusting to external actors' demands	Supporting ESG Issue Challenges	*For example, I will say something about the ILO and change how we report on human rights issues because of what an SRA asked. It also changes processes for documentation and policy creation because in order to report on these issues I had to change the business code of conduct. (…) Other example: an SRA was measuring accidents per 200,000 hours worked while we were originally reporting this based on a percent of payroll that it costs us. We changed our indicator for health and safety because of our desire to report on our health and safety performance consistently (Sustainability Officer, 1).*	
Resisting external actors' evaluation practices		*There are a lot of things, I think, that a lot of analysts groups would like us to set targets for, but it just does not make sense for us. Water is a good one. Water is not material for us. It just isn't. We are not Coca Cola, we are not a beer company. There are some things we just do not have and we don't think it's worth putting our resources into (Sustainability Officer, 1).*	

TABLE 4.7 Mobilising forms of justification and evaluation to sell ESG issues by fostering internal dialogues

FIRST-ORDER CONCEPTS	SECOND-ORDER THEMES	ILLUSTRATIVE QUOTES FROM INTERVIEWS	AGGREGATE DIMENSIONS
Questioning the worthiness of ESG issues and their appropriateness for the business	Getting the Attention of Internal Actors on ESG Issues	*Every year, before I do the report I go through all the (…) conversations I had, and the things we were missing. And we decide as a group - a small group of specialists in CSR - what things we are going to add and what things we just cannot do. So we are thinking: 'was is worth it? What is really having an impact? Are we wasting our time trying to conform? Are we limiting ourselves by doing this?' (Sustainability Officer, 1).*	**WORTH TESTING**
Raising the attention of internal actors		*SRAs asked us about human rights and privacy issues. Although we have very robust practices, we decided to review our policies as part of a board review and said: 'Let's just make double sure that we are doing the right thing'. We go back to the business and say: 'A lot of people are interested in this. If we want to be really robust, we need to look at this, this year' (Sustainability Officer, 2).*	

FIRST-ORDER CONCEPTS	SECOND-ORDER THEMES	ILLUSTRATIVE QUOTES FROM INTERVIEWS	AGGREGATE DIMENSIONS
Informing and educating	Influencing Internal Actors on ESG issues by Initiating Lateral and Upward Influencing Moves	*We are lucky because (...) there are two people in the chain above me who grew up in my department. So they are already champions and so I do not have to educate my boss. I have to inform him.' When I have to explain the why, it is because the SVP and the EVP did not grow up in sustainability. They grew up in finance or in real estate, which are far removed (from sustainability issues). In this case, there is education that has to happen (Sustainability Officer, 1).*	**NEGOTIATING**
Enacting non-hierarchical communication lines		*Where my peer and myself do not end up on the same page I escalate it through to my side, and try to go to the VP. Last year, when we wanted to do the DJSI, the brand message from the EVP came back: 'no, there is no single chance in hell'. This year, that [same] EVP said, 'All right, get your VP to write me an email about why this is important'. Sometimes, if I do not know the people in that department very well I will ask my boss to intercede. But if it is someone at my level, I might go directly and say: 'what is your boss doing?' and I will talk to him (Sustainability Officer, 1).*	
Using business language and traditional business arguments		*For example, one of the key priority topics is climate change. Climate strategy is a hot topic in sustainability. It is not just pure environmental and social but also economic as well. (...). If a topic is related to all the three pillars, somehow – society, environment and the economy – and you can relate 'economy' to the business of the company, then you can say that it is a kind of risk or that you can make business out of it, and that it's going to be profit in the long term...that is how we prioritise' (Sustainability Officer, 4). I think in two ways because it opens up a new opportunity. I really make a strong link to core business because if you are a sustainable person and you only talk about carbon emissions tons, then you will not get support from core business. You should talk about carbon emissions tons and euros. 'Money!' (Sustainability Officer, 11).*	

FIRST-ORDER CONCEPTS	SECOND-ORDER THEMES	ILLUSTRATIVE QUOTES FROM INTERVIEWS	AGGREGATE DIMENSIONS
Using patience, persistence, sympathy, and 'power of suggestion' as packaging moves and involvement tactics	Influencing Internal Actors on ESG issues by Initiating Lateral and Upward Influencing Moves	*Personally, I think because if you ask for the same thing over and over again, eventually, it breaks down their barriers. 'Please, mommy can I have a choco bar?', 'please, mommy can I have a choco bar?', 'please, mommy can I have a choco bar?' 'All right, fine, you can have a choco bar!' (…). It takes a lot of patience in a large organisation anywhere. (…) I mean, there are so many levels of approval that are required. (…) Because we are at Corporate Services, we do not actually have the power to do anything. We only have the power of suggestion. Somebody else, a top manager is going to have to agree to something. (…) You have to be very likeable too. (…) I always try to focus on the positive outcomes' (Sustainability Officer, 1).*	NEGOTIATING
Cooperating and collaborating strongly and closely with corporate peers on ESG issues		*The Head of Reporting within the Corporate Social Responsibility team, and myself, from the Investor Relations team work very closely together on what is reported. (…) I think that the dialogue is so important (…) and to always feedback to those teams who do CSR, because (…) the people who do it need to understand 'why' they do it. That is why we need to always keep the conversation going. (Sustainability Officer, 2)* *The way I work is that, when I am in the process like that, I ask 'How'? Because I think other people also have very good ideas, which should be known. So I involve at that stage already some relevant group players. I ask for help. I send a few emails, then I prepare the presentation. I need operations support to get the figures but also to get better data. When the work is done, I sit with my CFO, present the work and ask for feedback (Sustainability Officer, 11).*	

FIRST-ORDER CONCEPTS	SECOND-ORDER THEMES	ILLUSTRATIVE QUOTES FROM INTERVIEWS	AGGREGATE DIMENSIONS
Coordinating and measuring the worth of ESG issues against corporate goals	Assuaging Tensions between Socially-Oriented and Economically-Oriented Logics	*But sometimes we will have a peer discussion and then we will say: 'You know what? There's just nothing to be done here!' For us it just does not make sense. For example, that is what happened with the workplace indicators – because an SRA asks for five different things in one question and then my colleague who was collecting the data in reporting on it said, 'I know we tried that in the past… we will never get permission to this', 'getting that data in that format will be really impossible', or for another indicator, 'this will be a security issue' and we know this. So there is no point in going further (Sustainability Officer, 1).* *I feedback to the Head of Reporting what analysts are telling us that they want to see and she reports back to me on what is feasible from a business point of view to report. We kind of find the middle ground … where we can satisfy all stakeholders (Sustainability Officer, 2).*	**COMPROMISING**
Resisting internal logics and being a driving force for change		*We are considered a cost centre and not a revenue centre. (…) This comes from a lack of (…) understanding of the real value of sustainability practices. (…). We really focus on the business case… all has to be grounded on the business case. But because we have not had to pay massive fines or repair our brand, our work is still invisible. It is not obvious to them that we are avoiding costs and managing risks. So behind the scenes we are kind of protecting the company, and they do not really quite know it (Sustainability Officer, 1).* *It is making money for the right thing; it is not making money 'per se', it is making money while doing good. I think that this is the ethos now. We will make money as a company if we address the real existential issues of this planet. And by doing that we can make money, but we are doing it for a good cause (Sustainability Officer, 2).*	

4.4. FINDINGS

4.4.1. Internal and External Moves for ESG Issues

4.4.1.1. The Pivotal Role of Sustainability Officers

Most of the sustainability officers we interviewed initially had their CSR function or department in relative or complete isolation from other departments and corporate functions. Over time, they have moved towards a more central and more recognizable position in their organisations. This internal change has enabled sustainability officers to more easily raise the awareness of their corporate peers and their top-level managers regarding relevant societal issues for their industry, and 'sell' important ESG issues to them. Simultaneously, their position to inform and be informed, to enter into a dialogue, and exchange knowledge with external constituents has improved.

When they could not find common ground with their corporate peers on a specific issue, particularly if they considered the ESG issue as imperative for the firm, some sustainability officers were not afraid of '*taking the conversation to another level*' (Sustainability Officer, 1). They would then try to '*get permission*' from senior management to report on the new ESG issues brought in by SRA analysts, to collect the data in a format that SRA analysts would require, or to move forward with an initiative that other corporate peers might disagree with. Thus, by raising certain issues to a higher level of management and of decision-making, sustainability officers were willing to '*escalate the ESG issue through*' (Sustainability Officer, 2). Knowing that what counted in the process of ESG valuation was the capacity to capture rationally what issue the firm needed to tackle, they were by-passing their corporate peers, at times encroaching upon their territory, and hence indirectly redrawing lines of authority. Seeking an agreement within their firms, irrespective of internal lines of responsibility, was a challenging task. But they knew that if they kept asking '*for the same thing over and over again, eventually it breaks down their barriers*' (Sustainability Officer, 1).

In spite of their more central position, getting the attention of decision-makers on ESG issues within their firms was not always successful and top-level managers were sometimes difficult to convince. One interviewee aptly voiced this tension as she often faced the challenge of breaking through in the corporate hierarchy: '*This comes from a lack of (…) understanding of the real value of sustainability practices (…) I think that my CEO understands that he cannot close our department down, but I do not think he understands the benefits (Sustainability Officer, 1)*'. On the other hand, sustainability officers could rely on the support of senior management when the overall corporate philosophy was aligned with the sustainability and CSR agenda, '*it is the easiest way to get things done*' *(Sustainability Officer, 7)*. The determination of committed and organisationally savvy sustainability officers, coupled with the support of convinced top-level managers, was the more successful way to address ESG issues internally and to embed sustainability into daily business.

Over time, sustainability officers developed more productive relationships, internally and externally. Although such efforts to bring the sustainability function more into the core of the business had mainly strategic goals, such as strategic communication, some of our informants were witnessing the development and visibility of their own responsibilities as an opportunity to '*change people's lives (…) and to do it right*' *(Sustainability Officer, 9)*. Sustainability officers were, therefore, performing their daily activities mixing a economically-oriented approach with a touch of socially-oriented view. Their work also brought to light internal struggles about how to raise firms' awareness of ESG issues, and how to evaluate these issues, thus doing them justice within the organisation.

4.4.1.2. CSR Reports: Delivering Against Economically-oriented Goals

As part of their CSR reporting activities, firms publicly and voluntarily shared their efforts regarding their social commitment, at least the '*hygiene stuff*' (Sustainability Officer, 9). Firms were thus devoting pages in their sustainability reporting to demonstrate how they were able to manage social and environmental issues such as health and safety, employee engagement, carbon emissions, or energy efficiency. For most of our informants, responsible management meant developing and implementing a sustainability programme, managing the activities around these issues, and actively communicating them. CSR reporting was our informants' '*ticket to ride in sustainability*', that is, to play a leading role in their industry as regards sustainability issues, and to justify towards the world their interest in social responsibility.

In order to meaningfully report on ESG issues, sustainability officers needed to connect and collaborate with different actors inside and outside their firms, allowing them to justify their views as to which ESG issues were worth what and why. This process helped them clarify internal and external disagreements, and also find new ways to communicate internally. '*Chinese walls were being broken down*' (Sustainability Officer, 14). When a firm benefited from a good assessment '*they (e.g. a firm's Communications Department or Investor Relations function) would put the information on their website, publish press releases, do magazine advertisements or TV commercials*' *(SRA Analyst, 20)*. Corporate targets for an SRA's benchmark were set (e.g. '*be among the best 3 companies of their industry in the SRA's benchmark*', *SRA Analyst, 21)*, even going as far as including incentive schemes enabling sustainability officers to receive a bonus linked to the SRA' s benchmark of their firm.

We observed that although there were little sources of discrepancy in the treatment of ESG issues, firms did differ in the way they decided to address ESG issues. While some chose to report on the development and the impact of their programmes, others rather focused on target setting, on the progress made towards reaching their goals or on their strategically-oriented CSR approach. We also observed many dissimilarities in the way sustainability was dealt with internally, when interacting with corporate peers or with senior management, as well as externally, that is in the way CSR reports were generated or modified in view of an external audience. Other vocal stakeholders, such as the socially responsible investment community, helped to address ESG issues, which contributed to '*shaping the stakeholder materiality analysis and at looking at what we (firms) should be changing or creating*' (Sustainability Officer, 2). Investors, together with analysts, were particularly effective in motivating firms to be more accountable towards society and, requesting them to engage with all stakeholders.

As some of the sustainability officers told us, when their input was not considered strategic, top managers often did not pay much attention. As long as they '*just kept on doing what they were supposed to be doing, senior management did not need to know about it every week*' (Sustainability Officer, 9). When, however, CSR and sustainability were more strongly reflected in a firm's strategy, ESG issues became so vital that, much like any other business line, the sustainability team had to report regularly so that senior management could gauge how the team was '*delivering*' against strategy (Sustainability Officer, 9). In a number of cases, sustainability even saw itself '*incorporated into the purpose of the company*' and was '*no longer a standalone ambition*' (Sustainability Officer, 2). The organisational structure of most firms we investigated was quite hierarchical. When there was no Chief Sustainability Officer on the executive management team there would typically not be any direct reporting from the sustainability department to the CEO. Instead, there would often be a sustainability committee in which some members of the executive team took part, but with an overall lower and less impactful profile.

4.4.2. The Dialogues with Social Rating Agencies Analysts

The dialogues with SRAs' analysts proved crucial for sustainability officers. Analysts told us that their 'feedback process' was a unique opportunity for sustainability officers to voluntarily provide feedback on the social rating reports they had crafted. This dialogue process consisted, first, in the SRAs sending the sustainability officer a provisional ESG rating report in the form of a lengthy draft, spelling out all the assessed criteria and indicators, the corresponding weightings and scores and their provisional rating grade. Sustainability officers were then invited to enter into an open dialogue with the analyst in charge to discuss context, to provide comments on the rating report, to exchange views on the SRA's evaluation mode, and give additional information. Through this interaction, each firm also had a chance to improve its final social rating results. During this ongoing exchange, SRA analysts were bringing relevant ESG topics and business wrongdoings to the attention of the sustainability officers, hoping to '*fuel their interest in integrating ESG concerns into their day-to-day management*'. Both sides engaged in live conversations where they were able to explain their positions on social issues and to share their valuation principles. Sustainability officers accepting such feedback loop process were also relying on this voluntary exchange of information to make decisions of their own to decide with their corporate peers on which ESG topics they needed to focus on, and to fine-tune their reporting of CSR practices. Many sustainability officers were able to receive relevant, previously unknown information on a range of ESG issues, pick up emerging ones, and understand SRAs' evaluation rationale behind a variety of non-financial indicators. Thus, the reporting of a large number of

KPIs emerged based on indicators taken from the SRAs' rating structures, and which the firms had only started to monitor after SRA analysts had directed their attention on specific issues.

Most sustainability officers were challenged by SRA analysts, for example to give account of the impact of their business activities on the scarcity of natural resources, on social justice, and on their responsibilities towards future generations. Through such conversations, each side was deliberately transmitting information to the other, and exchanging its perspectives, thus rendering the interactions mutually productive. Some firms would, as a consequence, change their performance indicators, their monitoring and reporting systems, as well as their organisational processes. At times, the conversations would become controversial and disagreements would arise about the assessment of ESG issues. The disputes generally gravitated, on the side of the sustainability officers, around their level of transparency and disclosure while the SRA analysts received criticisms about the selection of ESG criteria and their stringent methodology. As illustrated by one SRA analyst, the interaction with sustainability officers could sometimes be tense:

> *'When we send the draft rating, they already feel that injustice is being done to them (…) and when you send the final rating they feel that you did not consider their feedback information properly …this is mostly because they don't see…or did not properly read what was asked…so they send you information, which is not relevant to the indicator, and you can't assess it (…) we read everything carefully but if it is not relevant … we can't help it. So…how do they react? It all depends on the personality of the contact person. Sometimes, you have contact persons who try to intimidate you (…) and tell you … 'I have been working in this industry for 25 years…I've built the environmental management system department … I have done this and that and what have you done? …Maybe you have been an analyst for just 2 years' or, 'what you are asking is unreasonable … you don't understand the things the way they are' or 'no one does it like that in the industry… how come you ask for this?"* (SRA Analyst, 21).

Analysts also told us that sustainability officers, in spite of such criticism and occasional intimidation attempts, would in most cases address the analysts' concerns in their following reporting of business practices. In their experience, in spite of the occasional tension underlying the feedback process, sustainability officers were often in demand of information on new ESG issues from the analysts, '*looking forward to receiving the next feedbacks*' in order to exchange and confront ideas. In a reciprocal way, sustainability officers provided meaningful information to SRA analysts that would then prompt SRAs to reflect and consider possible changes or new perspectives in the way they were evaluating certain ESG topics, turning continuous dialogue between sustainability officers and SRA analysts into a true 'two-way conversation' *(Sustainability Officer, 1)*.

4.4.3. The 'Power of Suggestion': Bringing Societal Values together with Economic Values

Following their information exchanges with SRA analysts and processing their concerns and demands, sustainability officers were then using 'their power of suggestion' to trigger internal communication processes about the evaluation of ESG issues.

The analysis of the annual reports of the companies we approached in our interviews indicated that traditional business sense and the overall interest of the firm was the 'divining rod' and as such remained at the centre of all decision-making. For sustainability issues to receive support, they have to go hand in hand with financial goals. Firms were justifying the implementation of sustainability-related practices by connecting an ethical goal with a business goal. When CSR initiatives were implemented, those were thus often labelled as a measure of cost reduction, and savings were calculated at all levels. Moving to 'green energy' would thus be part of a bigger plan of reducing energy in general and showing savings would be beneficial to both the finance and the sustainability functions. Adopting a broader approach to sustainability, looking beyond financial targets and risk management and integrating the potential of a firm's products and services to bring societal changes would be the next step toward the new concept of 'shared value creation' in the strategy of a firm. Many of our informants established a clear link between business goals and sustainability, and between promoting societal change and ethical change as well as *'the responsible business side of things'* *(Sustainability Officer, 9)*. As confirmed on many occasions by our informants, firms saw themselves making money while *'doing it in an ethical way'. (…). If a topic is somewhat related to all the three pillars – social, environmental and economy - and you can relate 'economy' to the business of the company, then you can say you can make business out of it all, and that it's going to be profitable in the long term … that is how we prioritize.' (Sustainability Officer, 4)*. Thus, even setting a CSR goal such as 'volunteerism', as part of a firm's corporate citizenship initiative, can be successfully instrumentalised at the corporate level. If an employee was particularly engaged thanks to a volunteering opportunity offered by the employer, he or she would be *'likely to go the extra-mile in customer service and give a great customer experience, then they are more likely to give us a good advocacy score' (Sustainability Officer, 9)*. The sustainability officer shared with us the rationale behind the employee volunteering initiative and the advocacy score, a measurement tool for customer experience management programme at her firm:

> *'(…) We have a huge focus on advocacy. Advocacy is 40% of our bonus throughout the country for the company. If we do not hit our target, we instantly do not get 40% of our bonus. It is quite a significant part of our incentive structure but obviously a very challenging one. (…). People who volunteer have a very, very low attrition rate compared to people who do not. (…).' If we can make more people volunteer, then theoretically we are cutting down the HR budget, what we pay to recruit the consultants, on costs and other things. (…). If you volunteer, it suggests that you are going to be more highly engaged, and also that you are going to be a better advocate for (our firm), as opposed to people that do not volunteer. (…) Just with something very simple like a day off to volunteer, we are driving advocacy, we are enhancing productivity, and we are cutting costs' (Sustainability Officer, 9).*

4.4.4. Mobilising the Processes of Worth Testing, Negotiating and Compromising: A Model

The purpose of our study was to shed light on some of the processes and dynamics that are mobilised in the context of organisational ESG issues evaluation and CSR reporting practices. Our findings suggested that sustainability officers were navigating with a certain freedom outside and inside their firms, contesting ESG evaluations made by external analysts but also willing to engage in ‘two-way conversations’ with them at the same time and get more feedback. Simultaneously, using their power of suggestion with their peers and their top managers, they were seeking agreements with the business people at all levels about the same evaluations. To summarize our findings, we constructed a model (Figure 4.2) that shows how sustainability officers actively participate in ‘two-way dialogues’, which are mobilising, on one side, processes of ESG evaluation practices, and, on the other, processes of CSR reporting justification practices. The model also explains how sustainability officers, acting from a pivotal position between SRA analysts (outside the firm) and business people such as corporate peers and top-level managers (inside the firm), are negotiating moves for ESG issues and driving internal change. During our analysis of the processes of worth testing and of compromising, we highlighted specific two-way dialogues underlying negotiating moves that sustainability officers also mobilise. As in a pendulum movement where they mobilise negotiating processes, and acting from a central and pivotal position, they swing the pendulum toward SRA analysts on one side, back toward their corporate peers and top-level managers on the other side, and back toward the starting point as they were finding compromises. Bridging ties between different logics and criteria of judgement, they had to take into account what a firm could do and what it could not do. They were finding compromises in what they considered valuable mixed with a sense of pragmatism, thus fusing ESG issues relevance and business relevance into one. The two-way dialogues sustainability officers engage in provide a platform from which they freely oscillate in order to find the right ‘balance between what can be measured and what ought to be measured’ (Slager, 2015, p. 388). By exercising their soft ‘power of suggestion’, they are able to resolve disagreements about the evaluation and justification of ESG issues whilst also creating long lasting agreements for the benefit of their firms as well as all of society.

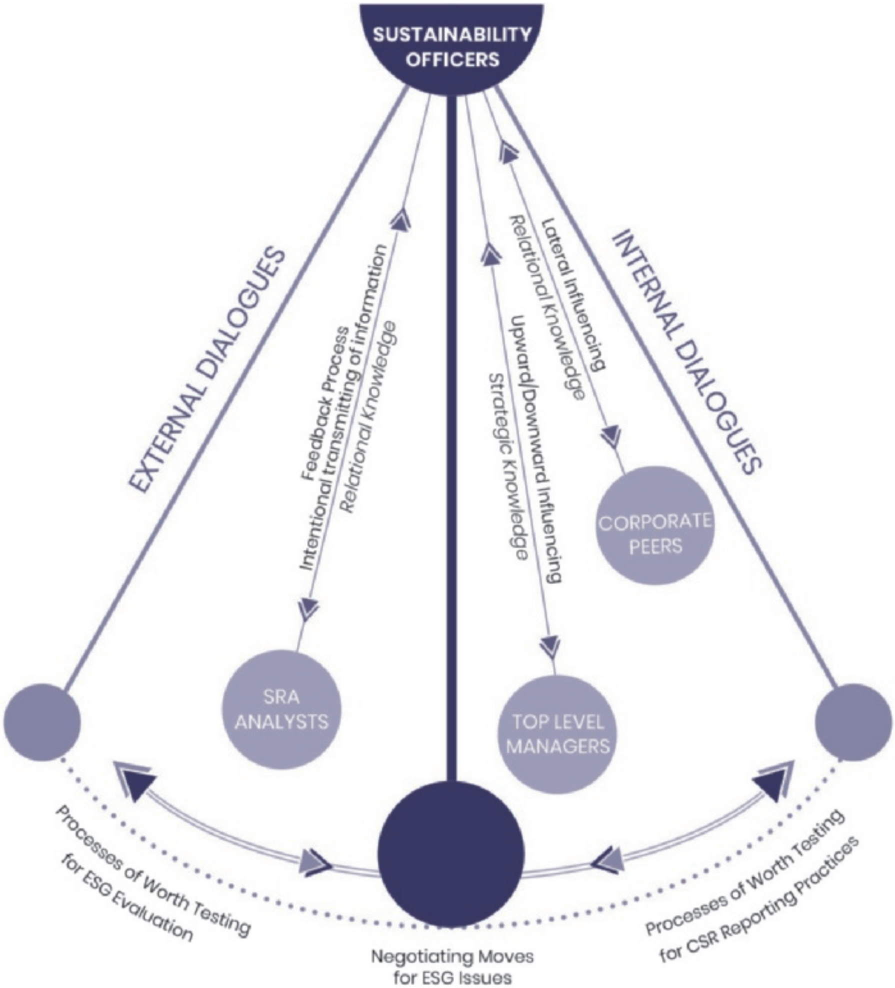

Figure 4.2 Processes of worth testing, compromising and negotiating: A model

4.4.4.1. External Dialogues Mobilising Processes of Worth Testing

In analysing the interactions between sustainability officers and SRA analysts, we visualised dialogues, which allowed us to better understand the processes underlying the 'tests of worth', 'modes of evaluation (worth)', and the forms of relevant proof used for ESG evaluation practices as well as for CSR reporting practices (cf. Table 4.6 and 4.7). Dialogues relied, to a large extent, on the relational knowledge that sustainability officers had with analysts.

The processes of worth testing. During the processes of worth testing, analysts were bringing valuable sources of information to sustainability officers. As analysts were communicating their ESG knowledge, with the aim of influencing firms to improve their CSR practices, sustainability officers were ready to enter into a dialogue with analysts in order to challenge their interpretation of what was worth evaluating, getting their attention on what was feasible from a business perspective, and what was not. They were contesting analysts' ESG evaluation practices and the rating results, using arguments from their own logic and their own principles of valuation while, simultaneously, wanting to improve their rating grades. Whatever SRAs considered worthy of responsible behaviour would only be taken into consideration after it had passed through the 'business sense' evaluation filter of sustainability officers (e.g. Chatterji and Levine, 2006; Delmas et al., 2013; Gond, Palazzo and Basu, 2009). Micro-processes of worth testing were determined by a series of tests or evaluation devices brought up, externally, during the interactions of sustainability officers with SRA analysts (cf. Table 4.1 and 4.3). Internally, sustainability officers, following their firms' logic of materiality performance and of CSR reporting, would put these evaluation devices to the test of their firms' own economic interests.

The feedback process. By responding to the invitation from SRAs to provide feedback on their ESG rating results, sustainability officers openly showed their readiness and willingness to engage in information sharing and dialogue around ESG issues. During these interactions, sustainability officers were being informed of the relevant ESG issues, of the SRA's ESG evaluation methodology and the related- evaluation practices, and of what should be done to improve their ESG evaluation. Sustainability officers were mostly fully engaged in the feedback process with SRA analysts, mainly because they were finding value in the information analysts were giving them. Through a mutually accepted and sometimes robust feedback process, sustainability officers proceeded to an intentional transmitting of information with SRA analysts, expressing their concerns about the selection of ESG issues and challenging the reliability, validity and objectivity of their evaluation frameworks in the process. By doing this, they pursued various objectives: improve their grade or ESG performance, test and increase their knowledge around ESG issues, understand the reasoning behind analysts' evaluation practices, and also convince SRA analysts to focus on the 'material' issues, instead of 'all issues'. By pressure-testing the worth of ESG topics, their relevance, their level of transparency, and by critically accompanying the choice of the right ESG performance factors to apply, sustainability officers were putting value on their conversations with SRA analysts. Especially when they felt challenged by what they, at times, called an *'unjust'* evaluation of their firms' business policies, practices and the possible wrongdoings, they strived to find ways to resolve ESG-related disagreements, together with internal actors. And while they accepted to be on the receiving end of ESG issues from SRA analysts, they did not hesitate to contest SRAs' ESG evaluation and ratings and challenge them. In the end, sustainability officers were also educating SRA analysts and bringing them closer to the logic of their firms' business, trying to convince them about what should be a just evaluation, a more accurate ESG rating report, or a fairer grade.

4.4.4.2. Internal Dialogues Mobilising Processes of Compromising

The dialogues between sustainability officers and the business people within their firms were of equal importance as the dialogues between sustainability officers and SRA analysts, albeit often more complex. The analysis of these internal interactions allowed us to better understand the processes underlying the 'compromises' used to justify what is considered to be worthy CSR reporting practices (cf. Table 4.2 and 4.4). Seeking ways to resolve disagreements about, for example, the level of transparency or disclosure concerning a specific ESG topic, sustainability officers developed and deployed different forms of action and tactics to engage in internal dialogues 1) with their corporate peers, and 2) with top-level managers. With their corporate peers, they would mostly rely on their lateral influencing role and relational knowledge to raise awareness on ESG issues prompted by SRA analysts, and seek compromises by encouraging cooperation and coordination between them. With their senior managers, sustainability officers relied on their strategic knowledge of the firms and used their upward influencing role, and at times their sheer perseverance, to convince their hierarchy about the impact of taking into account specific ESG issues in their business strategy. Using their 'power of suggestion', they even went beyond the given hierarchical lines of authority to convince top-level managers to pay attention to ESG issues brought in by SRA analysts, thus influencing firms' accountability regarding social issues. On occasion, their upward influencing moves overtook the lateral ones, creating non-hierarchical organisational relations, and bringing about processes of organisational change.

4.4.4.3. Two-way Dialogues Mobilising Processes of Negotiating

In all of their dialogues, sustainability officers acted from a central and pivotal position where they could use all their knowledge, relational and strategic, including their explicit knowledge of ESG issues and their capacity to resolve related disagreements to negotiate 'what was worth' evaluating and justifying as regards social issues. In these conversations, information was flowing both ways and in their daily practice of managing external and internal relations, which consisted in centralising sustainability information, monitoring progress, and organising the success of sustainability reporting, the sustainability officers' role developed into a negotiating role. Acting as their firms' experts regarding sustainability topics, they needed to interact with SRA analysts to increase their knowledge of ESG issues, and to educate their peers and top-level managers about the relevance of these issues for the business, and mainly about what was 'worth' reporting on concerning their firms' social responsibility. Benefiting from the external and internal dialogues during the worth testing and negotiating processes, sustainability officers were thus able to mobilise processes of compromising for social change.

4.5. DISCUSSION AND CONCLUSION

We explored the dynamics of how sustainability officers engage in different types of dialogues inside and outside their firms by analysing the micro-processes of ESG issues evaluation and justification. In so doing, we aimed to understand the impact these dynamics of interaction have on the reporting of CSR and sustainability practices and thus contribute to the literature on issue selling in the field of social issues management. We combined this literature with justification theory, specifically the economies of worth framework developed by Boltanski and Thévenot (2006 [1991]).

4.5.1. Main Findings

Our study sheds light on the internal and external moves sustainability officers took to influence decision-making processes around social issues. We established that they were playing a central role between external and internal actors to evaluate and justify environmental, social and governance issues, swinging between socially-oriented and economically-oriented goals. We showed how, from their pivotal position, sustainability officers shaped internal change regarding corporate concerns and interests as well as broader societal challenges. Sustainability officers were engaging in various two-way dialogues, resolving tensions externally and internally concerning ESG issues. Our qualitative study induces that to sell the relevance of these issues, sustainability officers were mobilising distinctive micro-processes. More specifically, by bringing societal values together with economic values, sustainability officers were exercising negotiating moves that were central for creating organisational change. Using their power of suggestion, they were advancing social issues to the forefront of firms' boardrooms and were, thereby, bringing social change in organisational values (Cf. figure 4.1).

4.5.2. Contributions to Issue Selling Literature

This study contributes to the issue selling literature in three ways (Dutton et al., 2001; Howard-Grenville, 2007). First, when reporting on their CSR practices, firms benefit from valuable information emanating from the constant interactions between middle managers and other key actors (Risi and Wickert, 2016; Strand, 2013). Crucially, this calls for a deeper analysis of the interaction processes and dynamics within and outside the firm (Galbreath, 2013; Wickert and De Bakker, 2018), in particular of 'the role of individual relationships in creating valued resources' (Howard-Grenville, 2007, p. 574). The firms' sustainability officers pick up external social concerns from SRA analysts, sell them internally to their corporate peers and their top-level managers, and then relate business or economic criticisms externally, to SRA analysts. Thus, in their dynamic interactions between social issue proponents outside their firms and business issue recipients inside their firms, sustainability officers, typically middle managers, enact three distinct moves that we identified as micro-processes: worth testing, negotiating and compromising. These middle managers are the individuals within firms who often seem to be the more involved and engaged with social issues in their everyday lives. As such, they understand best the interactional context in which social issues emerge and impact firms and to connect different orders of worth: 'the civic', 'the industrial', 'the market' and 'the green' (Boltanski & Thévenot (2006 [1991]); (cf. table 4.2). In this context, they play a cooperating and coordinating role in their organisations beyond hierarchical and competency levels, as well as in an inter-organisational context. Therefore, they can provide practical information to both sides and help find a balance between what *can* be measured and what to be measured (Slager, 2015).

Second, the moves middle managers make to sell social issues internally, may revive the debate about the purposes of the firm and the role of business in society. In line with the impression management in the issue-selling literature, we continue explaining how the exercise of negotiating moves for social issues requires a set of qualities by which middle managers decide to engage in selling social issues (Ashford et al., 1998; Dutton and Ashford, 1993; Dutton et al., 2001; Howard-Grenville, 2007; Sonenshein, 2012). We categorize the negotiating moves middle managers are making to sell social issues internally as crucial to influence decision-makers and advance their cause about the relevance of those social issues. Through packaging moves and involvement tactics, middle managers direct internal focus on unknown social issues, and challenge peers and top managers to integrate social objectives in their managerial practices, while bringing financial value to their firms, thereby fostering a plurality of internal dialogues. They start lateral and upward influencing processes, share their knowledge of relevant social issues internally, and coordinate their tasks with other actors within their firms (Risi and Wickert, 2016; Wickert and De Bakker, 2018). They engage in key negotiating moves while using socially-oriented logics and new concepts of 'worth' such as social values within a dominant corporate and economic value system (Boltanski & Thévenot (2006 [1991]); (cf. table 4.3). Swinging the pendulum between internal and external actors, middle managers mobilise processes of negotiating, which come as a complement to processes of worth testing for evaluation practices and compromising for CSR reporting practices (cf. Tables 4.6 and 4.7). Internally, they bring the attention of all actors towards social issues and hope to find one person who gets the conversation going and who helps them find meaningful and measurable ways to address social issues. For that, they have to negotiate hard, and use upward influence strategies to build issue selling moves, specifically involvement moves, when the lateral ones fail (Dutton and Ashford, 1993, Dutton et al., 2001). They often tend to act irrespective of internal lines of authority, turning to a person with a senior position, trying to be persuasive, and most importantly using their 'power of suggestion'. With no outside official authority to openly participate in business decision-making processes, middle managers shape socially-oriented goals with economical-oriented ones, thereby bringing stronger legitimacy to firms' social response and responsibility. Their capacity to easily and freely move in different orders of worth, and from a non-threatening position, is yet to be fully recognized. Their main challenge is to rapidly identify from the range of social issues those material ESG topics that will exhibit superior financial performance for the business. Because of the dominance of the market logic, it is hard to believe that negotiating between such conflicting interests can result in solid compromises around a common acceptance of which social issue is worth addressing. In fact, compromises around social issues and good CSR practices can induce to believe that, from a firm perspective, moves towards corporate social and environmental responsible behaviour are built on a fragile and asymmetric relationship between corporate functions and divisions (Reinecke et al., 2017; Risi and Wickert, 2016). Far from leaving the socially-oriented approach and the economically-oriented one at the periphery of their action, sustainability officers take both approaches at the heart of their action. Moreover, in accordance with the current work on occupations and profession in organisations, these middle managers prove to be 'dynamic types', free from much control of their action as they negotiate, collaborate, and accommodate between internal and external actors (Anteby, Chan and Dibegnino, 2016; Risi and Wickert, 2016). By confronting firmly-held notions in competing orders of worth, they are the ones able to make justifications from multiple orders of worth compatible, that will later be materialized in the form of CSR reports. Thus, the intra-organisational dynamics of tensions brought through different perspectives of ESG issues evaluation finally merge, and together define a pragmatic perspective mixing business sense with more social and responsible change (Wickert and De Bakker, 2018). Because they are able to successfully manage criticisms, middle managers keep pushing their organisations towards positive social change (Aguilera et al., 2007; Orlitzky, Louche, Gond and Chapple, 2017) and may contribute to solid compromises creating new 'economies of worth' (Boltanski & Thévenot, 2006 [1991], Thévenot et al., 2000, and Boltanski & Chiapello, 2005[1999].

Third, as middle managers enact their relational and strategic knowledge internally on the basis of central negotiating moves, they are able to create momentum for organisational change regarding social issues. The internal organisational dynamics through which middle managers mobilise negotiating processes for social issues (Cloutier & Langley, 2013; Gond et al., 2015; Jagd, 2011) is a testament to how they drive internal change by integrating social and economic logics, thereby fusing financial value and societal values (Risi and Wickert, 2016; Wickert & De Bakker, 2018). The complementary competencies brought to light through their external and internal exchanges show how middle managers are able to fuse separate horizons (Gadamer, (2013 [1960]) as they are fusing conflicting knowledge and creating a form of collective ESG intelligence. Mobilising disparate ESG evaluation processes and worthiness justification, sustainability officers are grappling with the challenges of mediating between different logics, a process which reveals some internal factors driving the adoption and reporting of CSR practices, ultimately improving firms' organisational outcomes, and leading to organisational change (Acquier et al., 2011; Aguilera et al., 2007; Risi and Wickert, 2016).

In discussing the concepts of 'economies of worth', scholars have acknowledged the difficulty for competent actors to navigate between different 'orders of worth' and to 'negotiate a 'compromise', which weakens their legitimacy (e.g. Cloutier et al., 2017; Reinecke et al., 2017). If our findings support the idea that actors need to negotiate back and forth outside and within firms before reaching a compromise between societal relevance and business relevance, we, however, argue that the compromises, which are coming out of the negotiating moves, are solid enough to be enshrined in a CSR report. The pivotal role sustainability officers play in these dynamics deserve more attention in the organisational and CSR literature because as they 'provoke innovative inquiry', and undertake the 'challenging task of ongoing innovation' and adaptability, they trigger strategic and organisational changes (Stark, 2009). They further a superior principle within firms, a 'sense of purpose' and 'a principle, which is superior to persons and can institute equivalence among them', 'the common good' (Boltanski, 2012, [1990], p. 14).

Fusing competing principles of equivalence for the good, the just and the fair into one concept of worth, which can improve firms' accountability towards new societal challenges is, thereby, a source of opportunity for an intelligent, innovative and cutting-edge CSR strategy (Dutton et al., 2001; Reay et al., 2006; Stark, 2009). Whereas Friedman (1962, 1970) suggested that businessmen are ill-equipped to deal with social issues, economists, sociologists, and philosophers, in line with social movement organisations (De Bakker, Den Hond, King and Weber, 2013; Den Hond and De Bakker, 2007) concur in putting more social responsibility on business organisations (Boltanski & Thévenot, 2006 [1991]; Fink, 2018; Ricoeur, 2017; Stark, 2009; Tirole, 2017). They promote the idea that it is in the interest of firms to manage various 'orders of worth', negotiate and compromise for a 'common good surpassing the particular happiness of each person' (Boltanski, 2011 [2009], p. 76).

By questioning, criticising and, at times, braving the established order, mid-level sustainability officers find a common ground with internal and external actors and rally around common values and goals. They will challenge top managers to make a positive contribution to society and rethink their purpose, becoming social agents for the 'common good', a view that goes beyond what's worth only for business (Basu and Palazzo, 2008; Cloutier and Langley, 2017; Freeman and Ginena, 2015; Patriotta et al., 2011; Scherer and Palazzo, 2007).

4.5.3. Limitations and Future Research

The practice of considering social issues in organisations is evolving and we need to monitor the evolution of middle managers' role in making sustainability work and in mediating social change in organisations. Although this study highlights the dynamic aspect of the interactions between middle managers and external actors on one side and middle managers and internal actors on the other, additional studies may be needed to confirm our findings regarding their influence in promoting positive social change. Moreover, we could not investigate how exactly tensions between economic incentives and social incentives are resolved within firms nor study in-depth their coping strategies when dealing with internal tensions. Hence, future research is needed on the normative considerations in the purpose of profit-oriented firms. For example, studies could examine how the integration of sustainability performance objectives in the remuneration of executive managers fosters firms' social responsible behaviour. More generally, further research should continue the work on micro-level initiatives that enhance social change in business organisations (Howard-Grenville, 2007; Risi and Wickert, 2016; Sonenshein, 2009; Wickert and De Bakker, 2018).

From a deeper analysis of the interactions between sustainability officers with analysts on the SRA side, and the players on the corporate side, we recognize the pivotal role of sustainability officers as they weigh the worth of ESG issues whilst having to justify their judgments in response to criticism (Boltanski & Thévenot, 2006 [1991]). The issue-selling literature (Dutton et al., 2001; Howard-Grenville, 2007) helps us better understand the complex role sustainability officers play in negotiating moves for ESG issues. By connecting ESG issue-sellers (SRAs) and 'business' issue-buyers (corporate peers and top-level managers), ESG issues are put to the test of worth and while ESG evaluation practices are being criticized and defended, sustainability officers can exercise an influencing and convincing function which, often in a pragmatic way, helps reconcile differences between a normative and an instrumental perspective. Researchers investigating processes around organising for CSR might use the lens which social issues' accounts offer to shed light on the hidden worth and richness of the interactions and dialogic processes between sustainability officers and SRA analysts. Alternatively, they might focus on particular aspects of negotiating processes in the context of specific CSR activities. Data sources other than the traditional KLD database would prove useful to researchers. Firms can tap into a potential reservoir of strategising capabilities that may well contribute to their overall performance.

CHAPTER 5

GENERAL DISCUSSION

This dissertation sets out to contribute to our knowledge of CSR by gaining a better understanding of the underlying mechanisms that shape the corporate-stakeholder relationship. CSR scholars have increasingly focused on the corporate social performance (CSP) and corporate financial performance (CFP) empirical relationship to make the business case for CSR. In their CSP-CFP studies, they retain solely an instrumentalist perspective, opposing two perspectives: the shareholder perspective vs. the stakeholder perspective. Recently, a group of scholars has begun to study how decision makers organise CSR, not by searching for tradeoffs between financial and societal concerns, but by focusing on CSR-outcomes relationships (Chatterji and Toffel, 2010) and by identifying organisational challenges (Chatterji et al., 2009; Chatterji et al., 2016; Delmas et al., 2013; Gond and Crane, 2010; Rasche et al., 2013; Scalet and Kelly, 2010; Slager and Chapple, 2016). They thereby avoid the separation fallacy debate that, according to stakeholder theorists, prevents the development of a 'new narrative of business', which is to be redefined around the notion of value creation in connection with the rest of society (Freeman and Ginena, 2015; Parmar et al., 2010).

In this dissertation, my principal aim was to deepen our understanding of the relationship between SRAs and firms. Using a multilevel approach (organisational and individual), I shed light on the microfoundations of CSR that are based on the SRA-Firm interactions zooming in on the dynamic processes in which actors interact about the measurement of corporate social performance (CSP). More specifically, I investigate the processes behind social rating agencies' method to measure and evaluate CSP, and how they impact business organisations. What I found particularly interesting to analyse was the organisational mechanisms by which social rating agencies and social ratings influence business organisations. Focusing specifically on firms' organisational CSR reported practices, and the dynamics of justification and evaluation processes linked to those CSR practices in response to SRAs' social ratings, I intended to answer the main research question: *What is the role and influence of social rating agencies and their measurement of non-financial information on firms' organisational CSR practices?*

This question was approached through three sub-questions, which I investigated in three studies. The studies explored the specific relationship between social rating agencies and firms by analysing how relevant societal concerns are dealt with internally and externally, bringing about change in organisations, and creating positive social change. In the following sections, I will first summarise the findings of the three empirical studies presented in Chapters 2, 3 and 4 as they answer the overall research question. Second, I will discuss the theoretical and practical implications of this dissertation. Finally, I will reflect on my insider-outsider perspective as I conducted this research project.

5.1. SUMMARY OF THE MAIN FINDINGS

Our empirical studies suggest that through the SRA-firm dialogical relationships, the organisational attention given to ESG issues, and the negotiation processes involved in these relationships, social ratings drive organisational change. It is specifically through negotiation and feedback processes that societal concerns become relevant. The contributions that we offered in this thesis provided important answers to the original research question. Our findings confirm that the efforts SRAs undertake in producing social ratings can serve as a specific case study for understanding how organising for CSR may impact internal processes at firms. More importantly, we suggest that the SRA-firm dialogical relationships do influence firms' CSR organisational practices by shaping their organisational attention.

5.1.1. The transformative Role of Social Rating Agencies

In Chapter 2, I set the context for this thesis by focusing on the modus operandi around a social rating agencies' ESG evaluation practices, examining how CSP is measured and how a rating methodology actively shapes and transforms relationships between the firms it rates and the investors that pay for its services.

Our case study of the SRA oekom research shows that, as financial market intermediaries between firms and investors, SRAs have a transformative power on business. Through their rating practices, they bring societal concerns to the forefront of the discussion within firms and in the socially responsible investment world, thus communicating and advocating societal concerns into the business world to act responsibly. We illustrate in an original model how the SRA that we studied was opening lines of dialogue between society at large, on the one hand, and firms and investors, on the other, hence bridging the gap between society and business.

We distinguished four types of dialogues. First, the SRA was engaging in direct dialogue with society on societal concerns, selecting the relevant environmental, social, and governance (ESG) issues to include into its rating framework. Second, setting sustainable development as a guiding principle of responsibility, the SRA was fostering a culture of critical internal dialogue to continuously improve its rating practices. Third, the SRA analysts were assessing, evaluating and measuring firms' CSP, and as such were entering in a dialogue through a feedback process with managers about their CSR practices. Finally, as investors were relying on the social ratings for their investment decisions, they needed to enter into a dialogue with the SRA concerning specific non-financial information, their translation and interpretation.

In collecting the information about firms' ESG performance, as well as in assessing and measuring it, the SRA brought specific societal issues into corporate boardrooms and into the broader investment community, relying on internal and external dialogues. Internal dialogues were taking place about proprietary data and rating methodologies, and also around the understanding of what the social responsibility of business should be. Due to the SRA's proactive assessment practices, new external lines of dialogue were opened with investors and firms about multiple stakeholders. The SRA's analysts used and interpreted information that they considered relevant to measure ESG performance factors emphasising thus the interaction between financial, and ethical or societal dimensions. The SRA played a transformative role in its attempts to bridge the gap between society and business. Our findings suggest that SRAs can help overcome the 'separation fallacy' that can affect firms and that is separating 'business' from 'ethics', and that they can help bridge the gap between financial value and societal values (Freeman, 1994; Freeman et al., 2007, Parmar et al., 2010). We expand knowledge in the literature on CSP and on the development of SRAs' rating processes in particular (Delmas et al., 2013; Orlitzky et al., 2017) by showing that SRAs influence organisational outcomes (Chatterji et al., 2016; Delmas et al., 2013; Orliztky et al., 2017).

5.1.2. The Impact of Social Ratings on Firms' Reported CSR Practices

Chapter 3 analysed the role and impact of SRAs rating reports of a firm on this firm's reporting practices. We drew on different bodies of literature to address how expectations of external stakeholders become relevant in shaping organisational practices, namely stakeholder theory (Freeman, 1984), accountability literature (Roberts, 2009) and strategy as practice (Jarzabkowski et al., 2012). We showed how the external CSR assessment on reported CSR practices directly influences organisational-level CSR activities and policies, by combining stakeholder theory, at a normative level, with accountability, at a strategic level, and strategy as practice, at an operational level.

We provide examples as to how the external assessment of ESG performance factors by the SRA affects reporting organisational practices within the telecommunications industry, and contributes to determine CSP. The ratings-based method used to assess the CSR practices of organisations remains an important measurement tool to address societal issues, and implement managerial practices so as to improve social performance. Our study has demonstrated, as suggested by Slager and Chapple (2016), Maignan and Ferrel (2004) and Parmar et al., (2010), that SRAs are not only valuable information intermediaries, but that they also help firms to identify relevant stakeholder interests by paying attention to the ESG issues raised in social ratings. What we call the social rating cycle ends by an improvement of firms' level of CSP if the stakeholder identification interest process occurs early. In the majority of cases, those telecom companies that had paid a high attention to the SRA's key ESG issues in their CSR reports two years after having interacted with the SRA via the feedback process were better off in terms of performance and in getting a good social rating. Our findings highlighted the importance of the participatory approach through the feedback process initiated by the SRA. This speaks in favour of such CSR managerial practice, which had a clear impact on the CSP of the telcos we examined, as it stimulated cooperation between the telcos and the SRA. Our findings led to three conclusions: 1) firms that addressed and incorporated the expectations of the social rating agencies in their reporting improved their corporate social performance; 2) firms that failed to address these expectations saw their corporate social performance decrease; and 3) firms that jumped on the corporate social responsibility bandwagon late tended to have a better corporate social performance level compared to those that started early. By combining stakeholder theory and the accountability literature, we introduced the concept of 'ESG issue attention' as an organisational response to social issues management.

5.1.3. Selling the Relevance of ESG Issues Internally

In Chapter 4, we explored the dynamics underlying the way in which crucial actors such as sustainability officers engage in different types of dialogues about processes of ESG issues evaluation and justification. We specifically examined these dynamics first, externally, that is when sustainability officers negotiate with SRA analysts, and second, internally, when they negotiate with peers and senior management. In a pragmatic way, sustainability officers pick up ESG issues from SRA analysts and find ways to sell these issues to their organisational colleagues. As they discuss the relevance of specific ESG issues externally and internally, they listen and challenge, whilst remaining open to the reasons and arguments brought forward by actors on both sides and are hence able to integrate their logics.

Studying the micro-dynamics and micro-level perspectives on CSR, we drew on the issue selling literature (Dutton and Ashford, 1993; Dutton et al., 1997; Dutton et al., 2001; Howard-Grenville, 2007; Sonenshein, 2009) to enrich our understanding of sustainability officers' dynamic 'moves' for social change, both inside and outside firms (Alt and Craig, 2016; Wickert and De Bakker, 2018). Confirming what prior research on the micro-foundations of CSR refers to as the foundations 'based on individual action and interactions' to promote social change (Aguilera et al., 2007; Aguinis and Glavas, 2012, p. 956), our findings suggest that the dialogues with SRAs' analysts are crucial for sustainability officers. There again, the SRA's 'feedback process' was a unique opportunity for sustainability officers to exchange views with SRA analysts, externally, but also to take into consideration their concerns and demands, and to trigger internal communication processes about the evaluation of ESG issues, using tactics and moves such as 'their power of suggestion'. Very few scholars have investigated CSR evaluation practices and modes of justification using the economies of worth framework. Gond et al. (2016) analyse how stakeholders interact in a sustainability controversy and explain how the mechanisms linking power and justification influenced them and, in so doing, shaped the controversy's outcome. Their work recognises the need to consider the underlying processes by which SRAs' evaluation practices and social ratings are justified and 'to account for the influence of these justification dynamics on their regulative power' (Gond et al., 2016, p. 357). We contribute to this growing stream of research, by exploring in particular how such micro-processes affect CSR organisational processes (Delmas et al., 2013; Haack, Schoeneborn and Wickert, 2012; Slager et al., 2012; Slager, 2015). We found that firms mobilise micro-processes of worth testing, negotiating and compromising, first by picking up the ESG issues to report on from outside, and second, by bringing attention to those, internally. The 'negotiating' process is enacted by the pivotal role of sustainability officers.

5.2. THEORETICAL IMPLICATIONS OF THE FINDINGS

This dissertation contributes to the CSR field of research by providing a study of relationships between business and society in the context of social issues management and performance evaluation. The theoretical implications are discussed by elaborating on the thesis' conceptual model, the 'funnel' (cf. Figure 1.1), which illustrates how through a 'funnelling process' societal concerns can be distilled into organisational change (cf. Figure 5.1).

5.2.1. Turning Societal Concerns into Organisational Change: The Funnelling Process

To investigate the dynamics through which societal concerns are funneled from society to firms, we highlighted the relational properties of organisations, of objects and of individuals in a funnelling process where societal concerns are addressed and dealt with. This dissertation makes several contributions to the CSR-related literature, in particular to the literature on organising for CSR, to the social rating industry literature, as well as to the literature on dynamics and micro-level perspectives on CSR.

Figure 5.1 The funnelling process

5.2.2. Implications for the Literature on Organising for CSR

Organising for CSR may seem to take a preponderant role because of the context in which the empirical studies are set and because many of our findings point to ways to improve CSP, and consequently financial outcomes. However, I would like to reflect on some organisational aspects underlying all of our findings that are derived from relational accounts between actors in the field of CSR. By relational accounts, I mean the set of relationships that an organisation voluntarily engages in, either with a group of individuals or an individual when addressing societal concerns that are directly or indirectly related to its business activities. The question here is not to manage for stakeholders in the sense that managers respond to stakeholders' needs and expectations (Freeman et al., 2007), nor in the sense of 'strategifying' or 'strategising' CSR (Gond, Cabantous, Krikorian, 2018), but in the sense that they are organising for stakeholders' interests and that organisational practices are enabling CSR and social change based on their ability to interact with external and internal stakeholders. Relational accounts produce relational outcomes that can be measured and evaluated according to the level of attention firms are willing to put on specific societal issues. Social ratings are the relational outcome of dialogues and exchanges concerned with organisational processes such as measuring, negotiating and compromising about ESG evaluation. Corporate social performance is, therefore, the result of moves and tactics, which has dynamic interactions at its heart.

Responding to the stakeholder theorists' call to adopt the 'relationships between a business and the groups or individuals who can affect or are affected by it' as a unit of analysis 'to jointly create and trade value' (Parmar, Freeman, Harrison, Wicks, Purnell and de Colle, 2010, p. 405), and after using CSP as a dependent variable in our studies, we found out, very early on, that there was a much better story to tell about the interactions between SRAs and firms when weighing the worth of certain ESG issues. ESG issue attention becomes accountability by turning societal concerns and stakeholder interests into measures, and measures into targets. By paying attention to specific ESG issues in a social rating cycle, by voluntarily disclosing ESG information in their publicly available reports, and by clearly understanding the effects of a socially responsible quality, firms accept to transfer part of the power granted to financiers to society at large. Firms, therefore, are willing to raise the visibility of their CSP and derive managerial value from it.

5.2.3. Implications for the Social Rating Industry Literature

I contribute to the CSR-related literature, in particular to the literature on the social rating industry, by conceptualising new lines of dialogue that SRAs open in an effort to bridge society and business. The relationship studied in this dissertation concerns essentially two types of actors, the SRA and the firm.

By exploring the internal practices of an SRA and by detailing the internal processes by which it operates, Chapter 2 extensively described the types of dialogue in place as societal concerns are brought into the 'funnel' by SRAs. So far, we knew that SRAs have developed a systematic framework of environmental, social and governance (ESG) performance factors based on a selection of societal concerns. With a set of indicators and criteria for each ESG dimensions, SRAs assess and rate firms' responsible behaviour on behalf of investors, who specifically rely on SRAs' social ratings to inform their investment decision process (Galbreath, 2013; Gond and Crane, 2010).

In the CSR-related literature, the role of SRAs is either questioned because of the alleged weak construct validity of their evaluation systems and measurement tools (e.g. Chatterji et al., 2016) or it is credited for being an agent of 'legitimating' (Arjaliès, 2010) and 'mainstreaming' (Giamporcaro and Gond, 2016) the field of socially responsible investment (SRI). However, scholars have rarely analysed, from an organisational perspective, how exactly SRAs do what they actually do (Alberola and Giamporcaro-Saunière, 2006; Gond, 2006; Igalens and gond, 2005). The few scholars who did study the social rating industry inform us that the evaluation of non-financial information is based on criteria generally developed by major international organisations under benchmarks and standards, and that the role of SRAs is essentially to foster CSP (Avetisyan, 2013; De Bakker and Moon, 2013; Schlager and Chapple, 2016) through their scoring and auditing methods (e.g. Alberola and Giamporcaro-Saunière, 2006; Bessire and Onnée, 2010). This dissertation shows that by advocating society's expectations with firms and investors, SRAs are capable of much more. They actively promote dialogue and exchange about societal issues and about the measurement of corporate social performance. The dialogical processes by which SRAs foster responsible behaviour is of a dynamic nature as it makes societal issues relevant to business through the expectations of investors on firms. Moreover, it shows how dialogical relationships, both internally and externally, provide insight into the interplay between actors and bring about change in organisations.

Finally, empirical studies often use Freeman's stakeholder approach (Freeman, 1984; Wood, 1991) and the accountability literature to study CSR reporting, CSP methods and instruments as it relates to the evaluation of performance factors (e.g. Graves and Waddock, 1994; Orlitzky et al., 2003). Yet explaining their impact on organisational responses and CSP outcomes remains a challenge. Chapter 3 analyzed the second relationship of our 'funnel' by focusing on the impact of SRAs' rating reports on the elaboration of CSR reports. We offered a conceptualization of ESG issue attention and suggested that identification and attention processes, can actually improve firms' CSP. Organisations are able to enhance their ability to identify new ESG issues by improving their ESG issue attention.

5.2.4. Implications for the Literature on Dynamics and Micro-level Perspectives on CSR

The third relationship that this dissertation examines is a multiple one, at micro-level, which starts from the pivotal position of sustainability officers, acting in a pendulum between SRAs' ESG analysts, externally, and firms' peers and top managers, internally. Highlighting the dialogic processes at an individual level, between ESG analysts and sustainability officers, Chapter 4 contributes to the CSR literature by drawing on the issue selling literature and justification theory and the economies of worth framework (Boltanski and Thévenot, 2006 [1999]). In addition to internal issue selling moves generating attention and action inside firms (Dutton and Ashford, 1993; Howard-Grenville, 2007; Sonensheim, 2009, 2012), dynamics of interactions taking place outside firms can be at the origins of social change. These 'moves' for social change are enacted internally and externally by specific actors, typically at middle management level, who become social agents for the 'common good', a view that goes beyond the traditional purpose of the firm (Alt and Craig, 2016; Wickert and De Bakker, 2018).

Drawing on justification theory, we focused on the role of sustainability officers as key actors mobilising ESG issues. The economies of worth framework allowed us to identify complex but important underlying micro-processes of CSR organisational practices, that is worth setting, negotiating and compromising. Firms' sustainability officers engage with ESG analysts, externally, and with corporate actors, internally, negotiationg for a sustainable view of their firm' activities. This interactive process between those who ask for information and those that provide it not only leads to firms becoming more aware of those ESG issues that are considered material for rating but also more alert and attentive to new trends in he evaluation of ESG issues. A high level of attention can lead firms to change information gathering and information flow, to review their CSR priorities, their goal-setting processes and their monitoring systems, and even some organisational structures.

Challenging a somewhat unidimensional way of thinking about performance, the dissertation shows that SRAs are able to integrate various approaches at the same time, a descriptive and a normative approach (Donaldson and Preston, 1995), and to render a more accurate picture of firms' social responsibility quality. SRAs' measurement constructs blend not only concepts such as firms' social issue participation (Clarkson, 1995; Wood, 1991; Wood, 2010) with processes of corporate social responsiveness (Carroll, 1979; Clarkson, 1995; Wood, 1991; Wood, 2010) but also their own understanding of what IS responsible behaviour (Donalson and Preston, 1995; Gond and Crane, 2008), and what IS social worthiness (Acquier et al., 2011; Risi and Wickert, 2016).

5.3. PRACTICAL IMPLICATIONS AND RECOMMENDATIONS OF THE FINDINGS

Society is rightfully concerned about business activity and has a lot of questions for the business world and its actors. This dissertation has implications for practice at various levels. It also highlights how, in a rapidly changing environment, CSR practitioners play a pivotal role in organisations.

5.3.1. From Societal Concerns to Societal Impact

In 2011, the European Commission redefined CSR as 'the responsibility of enterprises for their impacts on society' (European Commission, 2011). This responsibility implies that firms should not only comply with laws and regulations and respect collective agreements between social partners but also that firms should have in place a process to integrate social, environmental, ethical, human-rights and consumer concerns into their business operations and core strategy, in close collaboration with their stakeholders, in order to identify, prevent and mitigate possible adverse impacts. Following this new definition of CSR by regulators, firms can benefit from our research to shape their attention towards ESG issues more clearly.

Implications for firms and top managers. Firms and their top managers need to pay even more attention to the work of SRAs. Most firms are aware of the general societal concerns and a growing number of companies wants to address them, not the least to protect and grow their image as 'responsible' players. Businesses could gain more insights on ESG issues and the potential impacts of their business activities on society by engaging more decisively and regularly in conversations with SRAs. Instead of waiting for social ratings and just reacting to them, firms should formally extend their economic role by overtly supporting these relationships. In order to do so, they will have to adopt, in their purpose, a complex mix of societal and economic interests and dynamics. Internally, top managers and board members will have to give a larger platform and longer attention spans to sustainability officers and other CSR-minded managers, considering the following:

At their best, sustainability officers are ambassadors and 'translators' for their firms when interacting with SRA analysts. More than information gatherers, they are process improvers, breaking down information silos, improving information flows and processes inside their organisations. Their ability to informally influence processes and content may well be underrated. Their pivotal role as change agents in organisations should be further exploited and recognised by senior management.

An increasing number of firms want 'to do good' and not only 'do well' but do not quite know how. They shoud first understand that intention differs from attention. When a firm asserts that it adopts a certain CSR policy, that it remains committed to conduct its business with the utmost respect for universal principles around human rights, labour rights, respect for the environment, tackling anti-corruption, and adhering to a well-acclaimed international standard such as the United Nations Global Compact's ten universally accepted principles, this is purely intentional. Being responsible requires actual and day-to-day attention to societal concerns, specifically to concerns on ESG issues that may cause material and reputational damage and perhaps even put the future of the firm in jeopardy. Firms should therefore encourage the interaction of additional managers, other than sustainability officers, essentially at operational levels, with SRAs. At their best, SRAs and their analysts are acting as proactive catalysts for stakeholders' interests that at times may seem minimal or not urgent to top managers but that, if ignored, may leave firms out of useful and effective conversations with their stakeholders and blinside them for crucial globe trends such as climate change.

Implications for socially responsible investors. It is important to remember that the laser beam put on social rating agencies (SRAs) and their measurement tools, the social ratings, is motivated, originally, by some socially responsible investors' willingness to know how the firms in which they consider investing fare in terms of socially responsible behaviour (e.g. Attig et al., 2013; Giamporcaro and Gond, 2016). In the meantime, mainstream financial firms have jumped on the bandwagon of providing non-financial information to inform their clients' investment decision-making process on risk management. This has triggered traditionally small boutique SRAs, struggling to survive financially, to enter the game with big financial actors. In this context, a shift in the understanding of CSR risks is to be feared. Therefore, socially responsible investors should ask their newly integrated information providers to continue displaying in full their social rating outcomes, and not only a single integrated social and financial outcome. They should examine with even more scrutiny the way social ratings are generated and ask questions about how ratings are linked to the notion of shareholder value creation and at the same time to ethical, moral and normative components of responsible behaviour. Impromptu on-site visits could complement the mere filling out of questionnaires and schematic 'tick the box' approach.

5.4. REFLECTIONS ON THE RESEARCH PROCESS AND SUGGESTIONS FOR FUTURE RESEARCH

This dissertation offers the opportunity to look at SRAs as a specific case study for understanding intra-organisational dynamics in the context of CSR. By focusing on SRAs' work and how their work impacts internal processes for social change, the thesis sheds light on the neglected SRA-Firm relationship that can explain organisational change in organising for CSR. My PhD journey shows an evolution in the choice of theoretical framing that has helped better identify internal organisational processes and dynamics, and better understand the underlying mechanisms. In addition, the choice of clear units of analysis informed the data collection approaches, allowing for the main findings to raise from a first-level analysis, merely descriptive, in Chapter 2 to a more developed analysis using a sophisticated data structure where second-order categoriescan emerge in Chapter 4. In the following, I will briefly discuss the main boundary conditions of this dissertation.

The first limitation of my research concerns its exploratory nature. This affects the generalizability of the findings. Although the use of SRAs' ratings is widespread in the social issues management literature, relatively little remains known about how SRAs spot and absorb societal concerns and turn them into measures of CSP to produce ratings. My dissertation is mostly based on qualitative data, except for Chapter 3, which exploited some quantitative data that helped us determine the feedback process as an essential variable for social change in organisations. However, we framed our research around how questions in order to focus on depth more than on breadth. A lot of the data used for this research comes from a single SRA, which does not allow for a comparative analysis. My attempt to 'open the black box' of SRAs by entering the door of a prominent SRA's rating practices, although unique, remains a small contribution to the SRA literature. The research would certainly have benefited from comparing the rating processes between a few SRAs to strengthen the outcomes of the findings and make the contributions more powerful.

Turning 'Black and White' into 'Full Colour': The benefits of an insider-outsider perspective. During all the stages of this PhD project, I used my 'insider-outsider' perspective to take a deeper look into the relationship between sustainability officers and ESG analysts. I benefited from an ideal blend of intimate inside knowledge and hands-on experience of the world of social rating agencies and a systematic, rigorous and analytical academic approach.

Before my decision to assess the world of CSR from an academic angle, I worked as a sustainability (ESG) analyst in a leading social rating agency for almost five years. During that time, I was able to observe, experience and also help influence ESG rating processes, whilst also interacting with sustainability officers in firms rated by my company. I can thus be viewed as an 'Insider' of the world of SRAs, whilst also enjoying at least a privileged, 'semi-inside' proximity to those people inside firms who work at the crossroads of CSR, both in their internal interactions with peers and senior managers and when engaging with SRAs and other players of 'the outside world'.

There are of course challenges that an 'inside position' brings. I believe, however, that a possible 'insider's bias' has been offset by a multi-year 'cooling-off period' of over four years since my departure from the SRA, by my intense academic work in the meantime, and also by the 'checks and balances' contributed by my supervisors, both of them 'outsiders'.

An 'Inside-Outside Dichotomy' may be viewed as overly simplistic (Dwyer and Buckle, 2009). I am convinced, however, that having a unique insight into at least one side of the sustainability officers – ESG analysts relationship provides two crucial advantages, which would seem to far outweigh the possible insider's blind spots and handicaps: 1) on the one hand, more helpful information due to sustainability officers opening up more during the interviews and thus providing more honest, more complete and also more balanced information on their role and their challenges inside a firm and, 2) on the other hand, a deeper, more nuanced and especially more realistic assessment of the real-life interaction between sustainability officers and ESG analysts.

The added value of the mixed insider – outsider perspective is further enhanced by the fact that the former insider, working alongside outsiders, also acts as a bridgebuilder in efforts towards meaningful research dialogues between (ex-)practitioners and 'pure play' academics.

Much like a polychrome picture benefits from a multitude of colors, shades and nuances, I therefore think that this insider-outsider perspective adds richness and depth to the canvas on which the interaction between firms and analysts unfolds.

Future research. Future research is needed to further understand how the work of SRAs influences business. Chapter 2 highlighted the continuous internal dialogue that takes place to improve rating practices, in particular for the selection and introduction of new ESG issues in SRAs' rating framework. Future research could, for example, dig even deeper in the understanding of how SRAs, with their multidimensional approach, determine what ESG issues are relevant, how they are introduced in the social rating framework, how their corresponding weighting is decided and how this process affects the entire rating process. Furthermore, research should examine to which extant SRA's cultural, ethical and philosophical values impact firms' responsible behaviour. In addition, the link between SRA's social ratings and firms' reported practices needs to be further explored. The multiple stakeholder perspective and social accountability alone cannot explain organisational attention mechanisms underlying this linkage. Organisational attention research could, for example, focus on the temporal and spatial scale of these mechanisms in relation to ESG performance evaluation, and explore the attentional resources needed to study firms' social impact, hence enriching the work of other scholars on the importance of scale in organisations' attention to issues (Bansal, Kim and Wood, 2018).

5.5. CONCLUSION

We live in an ever more complex world. Its resources are certainly limited, whilst its population keeps growing at a rapid and uneven pace. With population growth, modern media and an increasingly globalized economy comes an ever increasing thirst for clean water, food, energy, space, travel and also consumer goods. Oceans are rising, the global climate is changing and once familiar regional weather patterns are becoming less reliable and predictable. Both in politics and, perhaps to a lesser degree, in the corporate world very different ideas as to what good governance means coexist.

In our quest to lead responsible lives we need guidance and reliable information. For the questions whom to trust, where to invest and how to understand the consequences of investment decisions, social rating agencies, their social ratings, and their growing interactions with the firms they rate provide information and transparency with metrics relevant to a multitude of stakeholders, hence contributing to positive social change.

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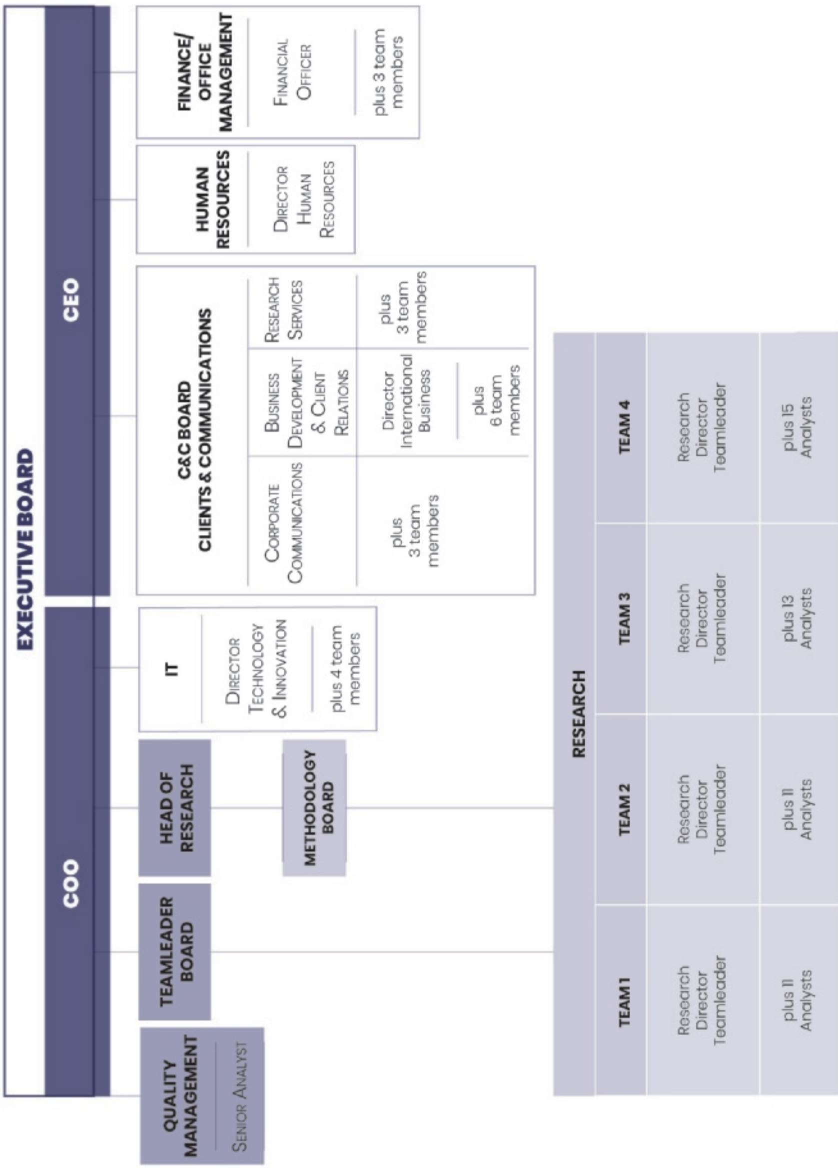
Appendices

Appendix A oekom's organigramme as at 15.07.2016



Appendix B Interview questionnaire - oekom research AG

(The questionnaire was adapted to the position of each interviewee)

INTERVIEW QUESTIONNAIRE

1) What are the functions and contributions of oekom research? How and where did it all start?

2) In your opinion, what role does oekom research play on capital markets, within the companies that oekom rates and in society at large?

3) How do your clients/the companies you rate/ react to the ratings that you produce and to rating downgrades and upgrades?

4) Given your position at oekom (CEO, COO, Head of Research, Research Director, Analyst) what are you doing in practice? With whom are you mostly interacting with, at oekom and outside of oekom?

5) Which logic/rationale/beliefs/values do you follow to perform your task?

6) What are the challenges you have to address in your position? Why?

7) How do you pick up sustainability trends to do the evaluation of companies' ESG ratings? Which process do you follow to integrate ESG issues in your rating structure?

8) How do you identify relevant ESG issues, and how do some ESG issues become key performance indicators in your ratings?

9) How do you build your ESG intelligence? How long does it take to perform well as an analyst? What skills are necessary to become a good Analyst at oekom?

10) What dialogues (formal and informal) are in place between oekom and its clients/the investors, and between oekom and the companies you rate?

11) Do you participate in road shows, conferences or other venues for oekom? With whom? Where? Does it help you improve your rating practices, and if so, how?

12) What developments would you most like to see in ESG Research?

Appendix C oekom's mission statement

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Mission Statement

oekom research AG contributes substantially to the achievement of sustainable development with its business activity. The orientation towards the principles of sustainability is an integral component at all levels of the company's operations.

Our ratings give companies an incentive to improve their environmental and social performance continuously. At the same time, our research provides the capital market with a tool to help investors to be better able to integrate the opportunities and risks presented by sustainable development into their investment decisions so as to achieve long -term success and to foster th e sustainable development of business.

In all our activities, we try to put the basic principles of corporate responsibility into practice, especially in the way we treat our employees as an employer, and in the way we treat our clients and competitors as a market participant. We take appropriate measures to minimise the load on the environment which our business activities give rise to.

Finally, as a profit -oriented company we have an obligation to our shareholders and wish to provide them with an adequate return on their capital.

Munich, March 3 1st, 2009

Robert Haßler, CEO

Appendix D oekom's understanding of sustainability as of November 2016

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oekom research AG's understanding of sustainability

Preamble

Sustainable development is the guiding principle on which oekom research's rating approach is based. The protection and development of human society, as well as the conservation of the natural environment, for which the key players in politics and civil society, business and the financial markets bear joint responsibility, are central to our philosophy.

Orientated towards the United Nations' Sustainable Development Goals, our vision – for current as well as future generations, in industrialised countries as well as in developing and newly-industrialised countries – is of a world in which people are able to lead self-determined, safe and healthy lives free of existential worries, where individuals have the opportunity to develop according to their abilities and to live in an intact environment. In doing so, we acknowledge that the natural environment has an intrinsic value extending beyond its pure economic value.

Where conflicts arise in the achievement of environmental, social and economic goals, oekom research seeks to arrive at a fair and socially acceptable balance of interests which takes into account the fundamental importance of an intact, natural environment for social and economic development.

The following principles form the basis for the structure of our ratings of companies and countries.

Principles

1. Protecting human dignity and integrity
All people have the right to physical and psychological integrity. This includes the prevention of health hazards at the workplace and in everyday life, as well as the observance of human rights and labour rights as laid down in the United Nations' Universal Declaration of Human Rights and the labour standards drawn up by the International Labour Organization (ILO).

2. Guaranteeing the provision of basic supplies
All people have the right to a basic provision of food and water, clothing, housing, energy, education as well as medical care. An adequate income from employment or transfer income and needs-based provision form the foundation for this.

3. Guaranteeing individual development
All people have the right to personal and professional development in accordance with their individual abilities and preferences. The basis for this is the creation of conditions that enable people to develop according to their individual aptitudes throughout their lives.

4. Participating in political, social and economic decision-making processes
The opportunity to take part in opinion-forming processes on an equal footing forms the basis for cooperative and viable political and economic decision-making. It is important to ensure that people, in their roles as citizens and employees, participate in political and corporate decision-making processes. Education and information are the keys to participation in social and economic life. All people should have access to education and information. Politicians, public authorities and businesses should make relevant information accessible to citizens and consumers in a comprehensive, up-to-date and easy-to-understand form.

5. Social justness and a fair world economic order
A just distribution of income, wealth and resources forms the basis of an equalitarian, peaceful and stable co-existence both within and between the societies of the world and serves as the basis for fair globalisation. Structural causes of unequal distribution should be eliminated through the setting of necessary framework conditions. Befitting wages and equal opportunities for social mobility contribute towards this desirable balance at an intra-societal level, as does equalitarian political participation of developing and newly-industrialised countries – including involvement of their civil societies – in the realm of international trading relationships. Within this framework, wealthy individuals and economic players should fulfil their responsibility for a fair design of international economic relationships. In the global value-added chains, internationally active companies should warrant that the people in developing and newly-industrialised countries enjoy fair participation in the proceeds generated, and guarantee the enforcement of international social and environmental standards.

6. Respecting and preserving diversity
Biological and cultural diversity form the basis of human development and are therefore especially worthy of protection. This involves, on the one hand, preserving natural species and ecosystems as well as preventing irreversible damage and, on the other, respecting cultural differences, valuing cultural legacies and protecting indigenous peoples and minorities.

7. Protecting the natural environment
The natural environment forms the fundamental basis of life. Encroachments on the environment, whether these take the form of raw material extraction or emissions into the air, soil and water, which irreversibly alter or damage the ability of ecosystems to function properly or the mechanisms of natural systems, e.g. the climate system or the water cycle, should, in line with the precautionary principle, be avoided. Any damage caused should be rectified according to the "polluter pays" principle. All people have the same right to use the environment and the same obligation to protect it. Animals should be respected as fellow creatures and protected from avoidable suffering and species-inappropriate husbandry as well as being protected in their habitats.

8. Efficient and sustainable use of raw materials
Economic activity is generally associated with the use and consumption of resources. Top priority must therefore be given to managing raw materials economically, which may even mean a renouncement of some products. The concept of dematerialisation, i.e. drastically reducing the flows of materials caused by human activity, offers a suitable starting point for this. Renewable raw materials should be produced in compliance with strict environmental and social standards and used in accordance with their rate of regeneration. Non-renewable raw materials should as far as possible be replaced by renewable raw materials. All resources should be deployed as efficiently as possible and should be reused and recycled in line with closed substance cycle waste management. Systems such as those for energy supply and food should be set up so as to take social and environmental criteria into account and to be workable in the long term.

9. Avoiding risks in the use of new technologies
New technologies should be analysed comprehensively in terms of their potential benefits to as well as their possible negative impacts on people and the environment. If, when opportunities and risks are weighed up against one another, the benefits do not clearly outweigh the costs, then, on the basis of the precautionary principle, the technology should not be put into use. This is particularly true in the case of technologies which trigger developments that are irreversible.

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Principles of sustainability rating

Preamble

I. General duties of the rating agency
1. Independence
2. Ban on conflicting interests; neutrality
3. Qualification of analysts
4. Overall approach to rating
5. Ensuring that analyses are conducted conscientiously
6. Safeguarding confidentiality
7. Objectivity of methods of analysis
8. Ensuring that professionally sound verdicts are reached
9. Use of clearly defined rating symbols
10. Regular updating of data
11. Consideration of country-specific conditions
12. Defining the subject of the rating
13. Transparency of results

II. Survey principles
1. Separating the survey from the assessment
2. Diversity of survey methods and data sources
3. Standardisation of survey and analysis
4. Documentation of survey
5. Obligation to give reasons for deviating from standards
6. Plausibility checking, double-verification principle

III. Assessment principles
1. Individual assessment of performance factors
2. Balance between reference to past and future
3. Sector-specific and country-specific orientation
4. Comprehensibility

IV. General duties of the analyst
1. Impartiality
2. Acting in person
3. Conscientiousness
4. Individual responsibility in reaching a verdict
5. Incompatibility of work as an analyst and consultancy work
6. Other incompatibilities
7. Exclusion of analysts by analogy with § 319 (2 and 3) of the German Commercial Code (HGB)
8. Use of assessments, evaluations and findings of third parties
9. Comprehensibility of the verdict
10. Duty to apply a standard methodology
11. Duty to observe secrecy
12. Observance of intellectual property rights
13. Insider regulations
14. Acceptance of bribes

Annex

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Preamble

The sustainability rating is intended as a tool to complement the financial rating. It focuses on evaluating the environmental, social and cultural aspects of companies, organisations and countries and thereby supplements the purely economic approach to rating adopted in the past, taking sustainable development as its guiding principle.

The sustainability rating undertakes to observe the following three fundamental principles:

Independence
The absolute independence of the sustainability rating is a fundamental precondition for its credibility – in the eyes of both the subjects of the rating and the users of the rating.

Completeness
The sustainability rating must be based on a complex and comprehensive list of criteria covering all relevant facts and circumstances in the environmental, social and cultural fields.

Comparability
The results of the evaluation must enable comparisons to be made between the subjects of the rating – in terms of both absolute performance and performance relative to others.

These three fundamental principles form the basis for the principles for sustainability rating set out below, the observance of which should be reviewed at regular intervals by means of independent checks.

I. General duties of the rating agency

1. Independence

The rating agency must not enter into any commitments which restrict or could restrict its freedom of decision-making. The rating agency and its executive bodies must maintain their personal and economic independence in all their dealings. This shall apply especially with regard to their independence from companies to be evaluated: evaluating and advising companies simultaneously conflicts with the principle of independence. Provision must also be made to ensure that there is an institutional separation between the drawing up of a sustainability rating and its use in the investment process. The provisions of § 319.3 of the German Commercial Code (HGB) must be applied analogously.

2. Ban on conflicting interests; neutrality

The consent of the company or country to be assessed shall not be required in order for the rating agency to draw up a rating. The rating agency shall draw up its rating report without regard to the parties interested in the outcome of the rating.

3. Qualification of analysts

When recruiting analysts, the rating agency must examine candidates' professional and personal suitability and in particular check that they have appropriate experience. The authority to select and to conclude contracts with analysts must be regulated clearly. Provision must be made for the initial and further training of analysts.

Analysts must be informed about their responsibilities and their duties. Prior to commencing work with oekom research, they must enter into a written commitment to observe secrecy, data protection and insider regulations and to comply with the "Principles of sustainability rating".

4. Overall approach to rating

The rating agency shall put together a team of analysts for each rating assignment. The members of the team should be suitably qualified to assess all those areas of the company concerned which are key to analysing its performance against the sustainability criteria.

5. Ensuring that analyses are conducted conscientiously

The rating agency shall be obliged to ensure that analyses are conducted conscientiously. In particular, it must check at appropriate intervals that analysts are fulfilling their duties and redress any shortcomings.

6. Safeguarding confidentiality

Internal information provided by a company must be treated confidentially by the rating agency. This shall apply particularly with regard to the marketing and/or publication of rating reports.

The rating agency must take care to ensure that confidential information is not disclosed to unauthorised persons and must take corresponding precautions. These obligations shall continue to apply after a contractual relationship has been terminated.

7. Objectivity of methods of analysis

The rating agency must apply methods of analysis which ensure the greatest possible objectivity. It must use an appropriate combination of quantitative and qualitative methods as expediency requires. There must be suitable provisions to ensure that ratings are future-oriented and sector-specific.

In particular, measures must be taken to ensure that the analysis covers all the relevant criteria for a comprehensive sustainability evaluation of a company or country. Criteria must be drawn up on the basis of generally recognised guidelines, sets of rules, declarations, etc.

To ensure the objectivity of evaluations, an evaluation manual must be drawn up for each individual survey criterion, setting out binding regulations on fundamental evaluation principles for the analysts.

The rating agency must review the methods of analysis at regular intervals and, if necessary, adapt them to current developments or other circumstances serving to increase their objectivity.

8. Ensuring that professionally sound verdicts are reached

The surveying of primary data must be carried out personally by the analysts. The quality of the verdict reached must be assured by applying the double verification principle, for example, by using a rating committee. The transparency of the verdict reached must be ensured.

9. Use of clearly defined rating symbols

In order to maximise the clarity and comprehensibility of rating results, the rating agency must use clearly defined rating symbols for its rating scale. The degree of complexity of the rating scale must match the actual complexity of the evaluation. An explanation of the rating symbols must be published.

10. Regular updating of data

The rating agency must ensure that the rating results are up to date. To this end, it shall carry out fresh data surveys and assessments at regular intervals.

11. Consideration of country-specific conditions

In its survey, the rating agency must give consideration to country-specific conditions such as e.g. culture-specific factors and local social and environmental legislation. In addition, it shall use as a basis for its evaluation internationally recognised minimum standards in the relevant areas of investigation.

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The rating agency shall incorporate these standards into its evaluation in such a way that, given comparable criteria, the assessment of a company from one country will not differ from that of a company from another country.

12. Defining the subject of the rating

In assessing the subject of the rating, the rating agency shall take into account the system boundary defined in advance and, in the corporate rating, the relevant sectoral affiliation of the company being assessed.

13. Transparency of results

In the interest of transparency, the rating results should be rendered accessible both to the companies evaluated and to the public.

II. Survey principles

1. Separating the survey from the assessment

Initially, only those factors in the performance of the subject of the rating that are of relevance to the assessment should be recorded and evaluated. Then, as a separate processing step, the survey results must be summarised, assessed and graded according to the rating scale. When assessing the results, it is essential to ensure that the exertion of influence of any kind by the subject of the rating is ruled out.

2. Diversity of survey methods and data sources

Both quantitative and qualitative methods of analysis must be used as survey methods. In addition, for corporate ratings, both internal and external data sources must be used, such as:

Internal data sources:
- Written and oral surveys of company representatives
- Analysis of all relevant corporate publications such as e.g. sustainability and financial reports

External data sources:
- Written and oral surveys of pertinent representatives of non-government organisations, academic or public institutions, e.g. associations, authorities, unions, as well as the media.
- Analysis of relevant documentation from pertinent non-government organisations, academic or public institutions, e.g. associations, authorities, unions, as well as the media.

Throughout the whole process of survey and analysis, a close dialogue shall be sought with the company being evaluated. In the event of a lack of co-operation by the company being evaluated, the rating agency may draw up a rating solely on the basis of publicly available information, provided this information constitutes an adequate basis for evaluating the sustainability performance of the company.

3. Standardisation of survey and analysis

In the interest of the objectivity of the survey and of the comparability of the results of ratings, the rating agency must ensure that there is a high degree of standardisation with regard to the survey and its analysis. This shall not preclude sector-specific and country-specific forms of survey and analysis, provided that these contribute toward ensuring that a professionally sound verdict is reached.

4. Documentation of survey

The survey must, as part of the analysis, be fully documented. This documentation must be stored together with working papers and/or files and be rendered accessible in particular to those persons responsible for the assessment.

5. Obligation to give reasons for deviating from standards

If analysts deviate from the recommended standard in the analysis, then they must give reasons for this deviation, particularly where special company-specific factors are involved.

6. Plausibility checking; double verification principle

The rating agency must, when implementing the survey and subsequently drawing up the basis of the assessment, ensure that adequate plausibility checks are carried out. These shall be supported by completeness checks as well as by analysts' verbal summary remarks on the survey results.

It must be ensured that the double verification principle is applied throughout.

III. Assessment principles

1. Individual assessment of performance factors

For an assessment within the framework of a rating, all evaluation criteria must be subject to individual assessment. The summary of the results of the individual assessments shall be included in the overall verdict. It shall be permissible here to combine categories of performance factors and assign an appropriate weighting to them.

2. Balance between reference to past and future

Since the rating represents not just an assessment of disclosed past results but also a statement about the potential for the future, the rating agency must ensure in an appropriate way that there is a balance in its survey and analysis methods between reference to the past and to the future.

3. Sector-specific and country-specific orientation

Proper assessment of a company is generally only possible with the aid of sector-specific and country-specific evaluation criteria and by taking into account the nature and development of sustainability factors in the particular sector and/or country concerned.

The rating agency must therefore take care to ensure that the analysis is appropriately sector-oriented and country-oriented.

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4. Comprehensibility

Appropriate means must be used to ensure the comprehensibility of the assessment. A report about any controversial points in the assessment must be drawn up for retention with the rating agency's working papers.

IV. General duties of the analyst

1. Impartiality

Analysts must behave impartially, particularly in the conduct and analysis of their investigations. They must withhold their involvement if there is concern about bias in the execution of an assignment.

2. Acting in person

The analyst, or members of the team of analysts responsible, shall conduct surveys in person. Only support activities may be delegated to other staff.

3. Conscientiousness

In fulfilling his/her duties, the analyst shall be bound by these rating principles. He/She must obtain information about the rules for exercising his/her profession laid down by the rating agency and must observe these rules. He/She must upgrade his/her skills as required under I.3 to maintain his/her professional competence and to ensure that he/she can cope with his/her duties as an analyst.

The analyst must take on an assignment only if he/she possesses the expert knowledge required.

The analyst must establish the conditions necessary for assignments which have been taken on and assignments which are anticipated to be carried out properly and in compliance with these rating principles.

If circumstances arise after an assignment has been accepted which would have resulted in the assignment being refused, the contractual relationship must be terminated.

4. Individual responsibility in reaching a verdict

In internal arrangements, the analyst must take responsibility for his/her own actions. Each individual analyst must reach a verdict himself/herself when assessing their investigations.

5. Incompatibility of work as an analyst and consultancy work

Work as an analyst is incompatible with the provision of advice to a customer by the same analyst. In case of doubt the analyst has to consult with the rating agency.

6. Other incompatibilities

The analysts may survey and analyse a situation only if he/she did not himself/herself contribute substantially to the situation arising.

7. Disclosure by analyst in accordance with § 319 (2 and 3) of the German Commercial Code (HGB).

The analyst is liable to disclose the supervisory board if one or more aspects of §319 (2 and 3) HGB (German Commercial Code) apply (see Annex).

8. Use of assessments, evaluations and findings of third parties

The analyst must make clear if the use of assessments, evaluations and findings of third parties is involved.

9. Comprehensibility of the verdict

The analyst must suitably ensure that his/her verdict regarding the individual subjects of a survey is comprehensible. He/She shall be obliged to provide the rating agency with a written explanation in response to queries.

10. Duty to apply a standard methodology

The analyst shall apply exclusively the standard methodology prescribed for the survey concerned by the rating agency. He/She shall use customised rating scales where these are required due to the sector-specific or country-specific orientation or special nature of the company or country concerned.

11. Duty to observe secrecy

The analyst must not disclose to unauthorised persons any facts and circumstances which are confided to him/her or become known to him/her in the course of his/her work.

The analyst must take care to ensure that facts and circumstances as defined under para. 1 are not made known to unauthorised persons, and he/she must take appropriate precautions.

The duties set out under paras. 1 and 2 shall continue to apply after termination of the contractual relationship.

12. Observance of intellectual property rights

The analyst must observe the intellectual property rights of the rating agency in respect of the rating procedures and the rating instruments. This obligation shall also continue to apply after termination of the contractual relationship.

13. Insider regulations

The analysts must observe the currently applicable insider regulations.

14. Acceptance of bribes

The acceptance of rewards and gifts (as well as other benefits) which are offered to an analyst in relation to his/her work and which exceed the scope of usual business connections shall not be permissible.

The acceptance of customary and reasonable hospitality during the course of their work shall be permitted.

Annex:

Extract: § 319 German Commercial Code (HGB)

(2) An auditor or sworn auditor may not be the auditor of the annual accounts if he/she or a person with whom he/she practises his/her profession jointly,

1. owns shares in the joint-stock company to be audited;
2. is, or in the last three years before his/her appointment was, a legal representative or member of the supervisory board or employee of the joint-stock company to be audited;

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3. is a legal representative or member of the supervisory board of a legal person, partner in a partnership or owner of a company, insofar as the legal person, the partnership or the individually-owned company is affiliated to the joint-stock company to be audited or owns more than twenty per cent of the shares in the latter;
4. is an employee of a company which is affiliated to the joint-stock company to be audited or owns more than twenty per cent of the shares in the latter, or is an employee of a natural person who owns more than twenty per cent of the shares in the joint-stock company to be audited;
5. has, over and above the auditing work, assisted in the bookkeeping or the drawing up of the annual accounts of the joint-stock company to be audited;
6. is a legal representative, employee, member of the supervisory board or partner of a legal or natural person or of a partnership or is the owner of a company, insofar as the legal or natural person, the partnership or one of its partners or the individually-owned enterprise under item 5 may not be an auditor of the annual accounts of the joint-stock company to be audited;
7. employs for the audit a person who under items 1 to 6 may not be an auditor of the annual accounts;
8. has in each of the last five years derived more than thirty per cent of total earnings from his/her occupational work from auditing and advising the joint-stock company to be audited and from companies in which the joint-stock company to be audited owns more than twenty per cent of the shares, and this is also anticipated to be the case in the current business year; to avoid hardship cases, the chamber of auditors can issue special licences for limited periods of time.

An auditor may also not be an auditor of the annual accounts if he/she would be excluded in application *mutatis mutandis* of paragraph 3 item 6.

(3) An auditing company or firm of auditors may not be auditor of the annual accounts if

1. it owns shares in the joint-stock company to be audited or is affiliated to the latter or if a company affiliated to it owns more than twenty per cent of the shares in the joint-stock company to be audited or is affiliated to the latter;
2. it may not under paragraph 2 item 6 as a partner of a legal person or of a partnership or under paragraph 2, item 5, 7 or 8 be an auditor of the annual accounts;
3. in an auditing company or firm of auditors which is a legal person, a legal representative or a partner who possesses fifty per cent or more of the voting rights to which the partners are entitled, or in other auditing companies or firms of auditors, a partner, may not under paragraph 2 items 1 to 4 be auditor of the annual accounts;
4. one of its legal representatives or one of its partners may not under paragraph 2 item 5 or 6 be an auditor of the annual accounts;
5. one of its supervisory board members may not under paragraph 2 item 2 or 5 be an auditor of the annual accounts or, in auditing a joint stock company which has issued shares with a stock exchange listing, it employs an auditor who, in the ten years preceding the business year being audited, has in more than six cases signed the audit certificate under § 322 concerning the auditing of the annual or consolidated financial statements of the joint stock company."

The principles of sustainability rating have been drawn up by **oekom research AG** in co-operation with the **Ethical and Environmental Rating project team** at the University of Frankfurt (headed by Prof. Johannes Hoffmann) and **oekom research AG's Scientific Advisory Committee.** They are based on **Rating Cert e.V.**'s principles of corporate rating.

Appendix F Response to oekom draft corporate rating (excerpts)

ESG ISSUE	INDICATOR GRADING	FEEDBACK EXCHANGE
A.1.1.1.2. Measures regarding freedom of association in countries with severe legal/factual limitations to freedom of association and the right to collective bargaining	D -	Analyst's First Comment: No information is available on whether the company has taken measures such as staff councils, extended engagement with international trade unions or labour rights training to ensure employees' participation in decision making within the company in countries where no independent labour union may be established or where freedom of association is prohibited by law. **Coverage:** No information is available. **Comment:** The company has operations in e.g. Vietnam and the United Arab Emirates. According to a survey conducted by the International Confederation of Free Trade Unions, there are factual limitations to labour rights with severe legal/factual limitations to freedom of association and the right to collective bargaining since no independent unions are allowed in these countries. It remains unclear how many employees of the company are located in Vietnam and the United Arab Emirates.
		Company's Response: In Vietnam we have 3 employees through a Joint Venture and 1 agency contractor at present (out of over 90,000 employees worldwide) – a very small number. I would be surprised if this is a reason for a rating downgrade on this section.
		Analyst's Second Comment: Thank you for providing us with data on Vietnam. The number of employees in this country is, for us, not relevant enough to take this information into account. As a result, we will not evaluate this part of your response negatively.
A.1.1.3.1. Occurrence of large-scale redundancies or significant job cuts	D -	Analyst's Fisrt Comment: According to the company, it has implemented large-scale redundancies or significant job cuts at Headquarters in recent years. Comment: In 2011, the company stated that it had lowered headcount by over 20,000 over the past four years.
		Company's Response: This is completely wrong - there is no compulsory redundancy policy at X. Where a role is no longer required (as a result of our constant improvement of business processes, automation and creating efficiencies), an employee joins the Transition Centre which was created to address the changing demands on our employees. It is the place for our staff who find that changes in the business' requirements mean there is not the same demand for their current skills. We take these employees and redeploy them (re-train them if needed), providing a smooth, timely and cost effective transition. This includes one-to-one coaching with Transition Managers and the option to attend an 'early career clinic' to look at available roles in the business. The lower total headcount is a result of people choosing to leave the business and our company deciding not to fill those vacancies.
		Analyst's Second Comment: We understand that there is no compulsory redundancy policy. But can we agree on the fact that, from an objective point of view, there were significant job cuts in recent years? However, what is important for us to know is whether or not your company put measures in place to ensure job security and, in that case, which are they.

Appendix F Response to oekom draft corporate rating (excerpts) (cont.)

A.1.1.5.3. Gender distribution in the company	B	**Analyst's Fisrt Comment:** a. Ratio of female employees: 21% (in 2012). b. Ratio of women in the executive management team: As at July 2013, there were no female executive directors on the company's board of directors. c. Ratio of women in management positions: 24% (in 2012). Comment: –
		Company's Response: This is wrong We demonstrate our commitment to equality from board-level down: as at 31 March 2013 30% of our Board is female, exceeding our aim of at least 25%. We were ranked in The Times Top 50 Employers for Women but recognise we need to continue doing more to increase the proportion of our people that are female, particularly in senior executive roles. As at 31 March 2013, at our executive and senior management level 20% are women, a proportion, which we are aiming to increase.
		Analyst's Second Comment: Thank you for providing us with the 2013 data for a) and c). As regards the b) part of this indicator, we are focusing on women in the executive management team i.e. women with a day-to-day leadership role at the top management. Non-executive women, even if they are part of the board, do not qualify.
A.1.1.6.2. Transparency on average training time/expenses per employee by employee category	D	**Analyst's Fisrt Comment:** No information is available on whether the company discloses average training hours by employee category. Coverage: No information is available. Comment: –
		Company's Response: Our company is committed to investing in its people. Since 19.. we have received an award for investing in people, which is renewed every 3 years and externally accredited. We don't disclose exact figures of spendings on training as we see it as a competitive advantage but can indicate that in the FY 12/13 our company invested millions in training and development, across all lines of business. In addition, we regularly track employee perception of 'opportunities to learn, develop and grow' and this continues to increase and exceeds national and industry norms. We don't measure specific training hours since we actively promote the benefits of both formal and informal learning.
		Analyst's Second Comment: Thank you for your comment but this indicator is an important part of our assessment in the Social dimension (Staff-Training and Education). Please note that we assess confidential data. We have posted both our Public Disclosure Policy and a Confidentiality Statement on our website. **Please check those at:** http://www.oekom-research.com/index_en.php?content=unsere-werte http://www.oekom-research.com/index_en.php?content=qualitaetsstandard

Appendix G oekom questionnaire sent to each rated firm at the end of the feedback process

Now it's your turn to rate us!

Name:
Company:

1. Which aspects of the oekom Corporate Rating did you like?

2. Which aspects did you dislike / miss?

3. How transparent do you find our evaluation process in relation to your company?

☐ completely transparent ☐ largely transparent ☐ only vaguely transparent ☐ not transparent

4. Overall judgment of the oekom Corporate Rating:

☐ excellent ☐ good ☐ medium ☐ poor

a) Please rate the quality of our rating:

b) How do you judge oekom research's rating compared to others?

c) Which other rating agencies have you worked with?

☐ very great ☐ fairly great ☐ fairly little ☐ very little

5. What influence do enquiries from sustainability analysts have on the overall strategy of your company?

6. Which sustainability issues will, in your opinion, become increasingly important within your sector?

7. General comments:

Appendix H Interview questionnaire with sustainability officers

INTERVIEW QUESTIONNAIRE

Stakeholder Management

1) How do you address the needs and expectations of your stakeholders? What strategy have you adopted? Prioritization of Stakeholders? Multiple Stakeholder Approach? A balanced approach? Balance Scorecard? Or other approaches?

2) What organisational structures support your Stakeholder/Sustainability/CSR Management system? And which ones are hindering you?

3) In your organisation, what monitoring and evaluation systems exist and help in the assessment and reporting of ESG issues? (internal management system, OECD Guidelines for Multinational Enterprises, GRI guidelines, PRI, UNGC, ISO 26000, Social Accountability 8000, etc.).

4) How reliable do you think these systems are? What are their specific strengths and weaknesses? What needs to be improved? (for instance, measurement of qualitative elements, identification of relevant KPIs for ESG performance evaluation, internal accountability reporting lines e.g. commitment from the top, shared interest, etc…)

ESG Rating Systems & Organisational Practices

1) In your organisation, which specific ESG/CSR measures have been prompted by Socially Responsible Investors, and by ESG Rating agencies?

2) When being rated on its corporate social performance, how important is it to your company to perform well or above average as regards ESG issues?

3) When you receive communications from ESG analysts, how do you react? (read the overall final results, read the whole report? look only at specific results? or…?

4) Internal and external communication: Who do you contact first to share such information? Who else do you share it with? What are the internal reporting procedures as regards the ESG results?

5) What dialogue (formal or informal) is in place between the investment community and your company as regards ESG issues and what impact do you think this dialogue has on your management practices and structures?

6) Explain what impact sustainability/ ESG rating agencies, mainstream bank analysts and investors in general have had on the way your company has addressed ESG issues in the past?

Appendix I oekom key ESG issues and corresponding indicators (social)

SOCIAL DIMENSION		
A.2.2. CUSTOMER AND PRODUCT RESPONSIBILITY		
Customer and Product Responsibility (PR)	Supply Chain Management (SCM-Social)	Fines or settlements related to company activities
Adopting policies and practices enhancing customer protection and customer orientation: - Data protection and privacy rules, - Child protection, - Feedback management, - Responsible marketing, - Reduction of the digital divide	Assessing and monitoring social issues in the supply chain, e.g. working conditions, human rights such as those related to conflict minerals concerns.	Mostly found in the Social dimension and the category Customer and Product Responsibility (Social): Misuse of customer data, Wiretapping, Misleading or unfair marketing practices, Misleading billing system
A.2.2.1. Policy regarding responsible marketing A.2.2.2. Data protection A.2.2.2.1. Data protection policy and privacy rules A.2.2.2.2. Measures to establish data security and ensure consumer protection A.2.2.2.3. Implementation of an information security management system (ISMS) certified to an international standard A.2.2.3. Customer feedback policy/management A.2.2.4. Measures to protect minors regarding ethically questionable content A.2.2.5. Measures to reduce the digital divide A.2.2.7. Other major company-specific issues related to customer and product responsibility	A.2.2.6. Strategy to facilitate transparency and responsible sourcing in controversial raw material supply chains	A.2.2.8. Major controversies relating to customer and product responsibility

Appendix I oekom key ESG issues and corresponding indicator (environmental) (cont.)

ENVIRONMENTAL DIMENSION			
B.1. ENVIRONMENTAL MANAGEMENT & B.2. PRODUCTS AND SERVICES			
Climate Change (CC)	Supply Chain Management (SCM-Environmental)	Electromagnetic Radiation (ER)	Electronic Waste (EW)
Adopting climate change protection programme aimed at reducing greenhouse gas emissions through e.g. energy efficiency programmes and the monitoring and evaluation of target goals	Assessing and monitoring social issues in the supply chain, e.g. pollution and waste management, energy efficiency and climate change, resources and biodiversity	Assessing, monitoring, and communicating on the effects of technologies (internet), equipment (transmission masts), products (cell phones) on health	Improving recyclability and upgradeability of products, and reusability of component parts
B.1.4. Climate change	*B.1.6. Environmental management in the supply chain*	*B.2.2. Electromagnetic radiation*	*B.2.4. Upgradeability /durability / recyclability of products (including subcontractors/ suppliers)*
B.1.4.1. Position on climate change B.1.4.2. Greenhouse gas emission inventories B.1.4.3. Greenhouse gas emission reduction targets and action plans Comment: B.1.4.4. Transparency on climate change risks and mitigation strategy A.2.2.4. Measures to protect minors regarding ethically questionable content A.2.2.6. Strategy to facilitate transparency and responsible sourcing in controversial raw material supply chains	B.1.6.1. Environmental supplier standard B.1.6.2. Procedures to ensure compliance with the environmental supplier standard	B.2.2.1. Measures taken with respect to minimisation and responsible use of electromagnetic radiation of mobile phones and/or base stations B.2.2.2. Percentage of mobile phones offered in compliance with the following SAR limits: 0.60 W/kg or less, 0.61-0.80 W/kg	B.2.4.1. Construction guidelines that make upgradeability, durability and recyclability of products and telecommunication equipment possible B.2.4.2. Measures to extend the useful life of communication products B.2.4.3. Measures to promote take-back of communication products or recycling programmes

Appendix J The six stars' ratings, feedback participation and level of attention regarding key ESG issues (1)

	OEKOM KEY SOCIAL ISSUES FOR TELCOS											
	Product Responsibility (PR): Adopting policies and practices enhancing customer protection and customer orientation						**Supply Chain Management (SCM-Social):** Subcontractor/supplier standards with regard to labour/health and safety issues. Measures taken to check compliance of key subcontractors/suppliers with the company's labour/health and safety standards					
	2005 (T_0)		2009 (T_1)		2014 (T_2)		2005 (T_0)		2009 (T_1)		2014 (T_2)	
	oekom Rating T_0	Attention Level T_0 + 2 years	oekom Rating T_1	Attention Level T_1 + 2 years	oekom Rating T_2	Attention Level T_2 + 2 years	oekom Rating T_0	Attention Level T_0 + 2 years	oekom Rating T_1	Attention Level T_1 + 2 years	oekom Rating T_2	Attention Level T_2 + 2 years
Rising Star 1	No feedback No rating F (Failed)	Low	No feedback No rating F (Failed)	Medium	B with feedback	High	No feedback No rating F (Failed)	Low	No feedback No rating F (Failed)	Medium	C with feedback	High
Rising Star 2	B with feedback	No CSR report	B with feedback	High	A - with feedback	High	D + with feedback	No CSR report	D + with feedback	High	A with feedback	High
Falling Star 1	C + with feedback	High	B + with feedback	High	D + no feedback	Medium	A - with feedback	High	B + with feedback	Medium	A + no feedback	High
Falling Star 2	C + with feedback	Low	C no feedback	Low	C no feedback	Low	C with feedback	Low	D no feedback	High	D + no feedback	High
Steady Star 1	B with feedback	High	B + with feedback	High	B + with feedback	High	A - with feedback	High	B with feedback	High	A with feedback	High
Steady Star 2	C + with feedback	High	C + with feedback	High	B with feedback	High	D - with feedback	Low	B with feedback	High	A - with feedback	High

Appendix J The six stars' ratings, feedback participation and level of attention regarding key ESG issues (2)

	OEKOM KEY ENVIRONMENTAL ISSUES FOR TELCOS											
	Climate Change (CC): Adopting climate change protection programme aimed at reducing greenhouse gas (GHG) emissions through e.g. energy efficiency programmes and the monitoring and evaluation of target goals						**Electromagnetic Radiation (ER):** Assessing, monitoring, and communicating on the effects of technologies (internet), equipment (transmission masts), and products (cell phones) on health					
	2005 (T_0)		2009 (T_1)		2014 (T_2)		2005 (T_0)		2009 (T_1)		2014 (T_2)	
	oekom Rating T_0	Attention Level T_0 + 2 years	oekom Rating T_1	Attention Level T_1 + 2 years	oekom Rating T_2	Attention Level T_2 + 2 years	oekom Rating T_0	Attention Level T_0 + 2 years	oekom Rating T_1	Attention Level T_1 + 2 years	oekom Rating T_2	Attention Level T_2 + 2 years
Rising Star 1	No feedback No rating F (Failed)	Low	No feedback No rating F (Failed)	Medium	A with feedback	High	No feedback No rating F (Failed)	Low	No feedback No rating F (Failed)	Medium	C with feedback	High
Rising Star 2	A + with feedback	No CSR report	C with feedback	Low	B - with feedback	High	C - with feedback	No CSR report	B - with feedback	Low	C with feedback	High
Falling Star 1	A + with feedback	High	A - with feedback	High	B no feedback	High	B + with feedback	High	A - with feedback	Low	C no feedback	High
Falling Star 2	B + with feedback	High	B + no feedback	High	B + no feedback	High	D + with feedback	Low	D no feedback	Low	D - no feedback	Low
Steady Star 1	A + with feedback	High	B + with feedback	High	B with feedback	High	A - with feedback	High	A - with feedback	Medium	B - with feedback	Medium
Steady Star 2	A + with feedback	Medium	B with feedback	Medium	B - with feedback	Medium	B - with feedback	Low	B - with feedback	Medium	B - with feedback	Low

Summary

The central message of this PhD thesis is that societal concerns are being addressed by social rating agencies (SRAs), which are asking firms to give account of their Corporate Social Responsibility (CSR) activities. Through their social ratings, SRAs influence firms' CSR reporting practices and bring about organisational change. Additionally, through the pivotal role of their sustainability officers, firms end up integrating societal values into managerial value, hence creating positive social change.

In three independent studies, I propose to uncover how SRAs operate, and how they influence organizational dynamics at the firms they rate, by enabling those firms to better consider environmental, social and governance (ESG) issues in their reporting practices. Through a valuable set of data from a prominent European social rating agency, rarely used in academia, the studies unpack the link between non-financial metrics and firms' organisational practices. The research approach for this dissertation is uncommon, as it blends in two approaches, one from practice and the other one from academia. As such, my past experience in an SRA provides a unique insider-outsider perspective in this thesis.

The dissertation encompasses five Chapters, including an overview of the dissertation (Chapter 1), three chapters corresponding to papers that form the core part of this research (Chapter 2, 3 & 4) and a general discussion that summarises the core contribution of this work (Chapter 5). As a whole the dissertation spans a broad spectrum of theories ranging from prior studies of SRAs, stakeholder theory, accountability, issue-selling, and the economies of worth framework. To investigate how SRAs work and influence organizations, the Chapters rely on different types of methodologies – mainly qualitative and some elements of quantitative analysis (in Chapter 3) – and build on multiple sources of data, including interviews with key actors, auto-ethnography and observations.

Chapter 2 addresses the need to better understand the organization of social rating agencies and how their practices of measurement work. Scholars who enquired how the importance of CSR has grown in the socially responsible

investment field also acknowledged that SRAs, through their social ratings, have established themselves as powerful financial intermediaries. Yet, to date, we lack detailed insights on how SRAs' measurement tools are constructed and developed in order to deliver social ratings. In order to open the 'black box' of their evaluation and weighing systems, a single case study was used, and interviews were carried out with analysts, research directors, managers, and one of the founders of a prominent German social rating agency (the SRA). My experience as a former ESG analyst at this SRA gave me access to unique internal documents and dataset. Through its rating practices, the SRA was bringing societal concerns to the forefront of the discussion within firms and in the investment world, thus advocating societal concerns on the business world to act responsibly. Our study shows that more than a mere financial intermediary/proxy between firms and investors, the SRA was a social actor with a normative and ethical purpose to shape the world, advocating society's interests. For that, the SRA was establishing new lines of dialogues between society and business (Society- SRA– Firms and Investors). These lines of dialogues highlight how CSR issues are not only a matter of measurement but also a matter of interaction and critical dialogues, inside and outside organisations. We illustrate these lines of dialogues in an original model showing how the SRA, through its rating practices, was translating societal expectations into a language relevant to business actors.

Chapter 3 revolves around the question of how firms respond to social rating agencies' ratings when reporting on ESG issues. The external assessment of ESG performance factors, which is materialized in social ratings, triggers internal change by influencing sustainability reporting practices, thus leading firms to engage in CSR initiatives. The management literature generally focuses on the effect of social ratings on firms' shareholder value or corporate financial performance and, so far, not so much on firms' reported practices. The Chapter addresses exactly the latter by investigating the way social ratings hold companies accountable for their actions focusing in particular on how firms' reporting on ESG issues is affected by their prior ratings and their interactions with SRAS. Our qualitative and quantitative analysis of the CSR reports of 25 global telecommunications service providers was complemented by a similar analysis of social rating reports of the same companies as produced by a social rating agency over a 15 year-period. The data analysis helped us shed light on an important new line of inquiry in the socially responsible investment literature, more focused on how social ratings affect organisational practices rather than investigating the link between corporate financial performance and corporate social performance. We illustrated this notion in an original model, the ESG issue attention model, and showed how firms engaging in a feedback process with the SRA were able to identify relevant stakeholder interests and report on them. Additionnally, by paying attention to changes in social ratings regarding ESG issues, or changes in rating methodology, firms could implement changes in their CSR reporting, and therefore, improve their corporate social performance.

In Chapter 4, we present a study addressing firms' interaction with social rating agencies about the external assessment and evaluation of their CSR practices and how this interaction governs firms' reporting activities as they justify and value those practices. Scholars have tried to identify the mechanisms that push business organisations to exercise their social responsibility as they engage with multiple stakeholders but some voices keep pointing out the need to better address the question of how exactly business organisations pick up new ESG issues, understand them, and how do they deal with these issues internally. To address this gap in the literature, we conducted interviews with several sustainability officers in order to identify the dynamic 'moves' at play as they sell the relevance of environmental, social and governance issues both inside and outside their organisations. We found that firms mobilize micro-processes of worth testing, negotiating and compromising, first, to decide on which sustainability topics and CSR practices to report on, and second, to agree on the metrics to be used to evaluate their social performance. Although in this process, firms' overall objective is to reduce uncertainties - essentially an instrumental objective -, sustainability officers have a pivotal role as social change agents. They bridge the traditional gap between an instrumental 'value' world relying on a market price and epitomized under the concept of 'shareholder value' and a 'values' system relying on ethical and moral considerations often associated to sustainability and CSR practices.

In Chapter 5, we present our general discussion and conclusion. The dissertation contributes to the CSR field of research, specifically to the literature on social ratings. It offers a study of relationships between business and society in the context of social issues management and performance evaluation, and how the societal expectations that SRAs integrate in their ratings structure become relevant in shaping organizational-level CSR activities and policies. The discussion makes a case for a better understanding of the work of social rating agencies who, through their ratings, are able to bring about change in organisations. The theoretical implications are discussed in a conceptual model, the 'funnel', which illustrates how through the 'funnelling process' societal concerns can be distilled into micro-dynamics that drive change in organisational practices, highlighting the relational properties of organisations, objects and individuals. We point at practical implications for business actors who increasingly have to cope with anti-capitalists, climate change activists, and other members of the civil society who, in a demonstrative way, show their concerns about the societal impact of firms' business activities. Instead of ignoring SRAs' social ratings, or only picking up relevant ESG performance factors to give account of their goals and results, firms should acknowledge the pivotal role of sustainability officers and other CSR-minded managers. Being responsible, as a firm, requires actual and day-to-day attention to societal concerns, specifically to ESG issues that may cause material and reputational damage, and requires adopting the motto 'Better Be Responsible' for bringing about positive social change.

Samenvatting

De centrale boodschap van dit proefschrift is dat maatschappelijke bezorgdheid wordt geadresseerd door social rating agencies (SRA's), die bedrijven vragen verantwoording af te leggen over hun activiteiten op het gebied van maatschappelijk verantwoord ondernemen (MVO). Door middel van hun beoordelingen beïnvloeden SRA's de MVO-rapportagepraktijk van bedrijven en brengen organisatieverandering tot stand. Daarnaast, door de centrale rol van duurzaamheidsfunctionarissen, vertalen bedrijven sociale waarden in managementwaarden. Zodoende dragen SRA's bij aan positieve sociale verandering.

In drie onafhankelijke studies breng ik aan het licht hoe SRA's werken en hoe ze organisatiedynamieken beïnvloeden binnen de bedrijven die ze beoordelen, door deze bedrijven in staat te stellen milieu-, sociale en governance (MSG) kwesties beter in hun rapportagepraktijken op te nemen. Met de waardevolle gegevens van een vooraanstaande Europese SRA, zelden gebruikt in de academische wereld, ontrafelen de studies de link tussen niet-financiële statistieken en de organisatorische praktijken van bedrijven. De onderzoeksaanpak is verder bijzonder aangezien dit proefschrift twee benaderingen combineert: één vanuit de praktijk en de andere vanuit de academische wereld. Dit promotieonderzoek wordt dus gekenmerkt door een uniek insider-outsider perspectief.

Dit proefschrift omvat vijf hoofdstukken, waaronder een overzicht van het promotieonderzoek (hoofdstuk 1), drie hoofdstukken die overeenkomen met artikelen die de kern van dit onderzoek vormen (hoofdstuk 2, 3 en 4), en een algemene discussie die de kernbijdrage van dit werk samenvat (Hoofdstuk 5). Het proefschrift behandelt een breed spectrum van theorieën, variërend van eerder onderzoek naar SRA's, stakeholder theory, accountability, issue-selling, en tenslotte het economies of worth raamwerk. Om te onderzoeken hoe SRA's functioneren en organisaties beïnvloeden, worden in de hoofdstukken verschillende soorten methodologieën gebruikt – voornamelijk kwalitatieve en enkele elementen van kwantitatieve analyse (in hoofdstuk 3) – en bouwen voort op meerdere databronnen, waaronder interviews met sleutelfiguren, auto-etnografie, en observaties.

In hoofdstuk 2 benadruk ik de noodzaak om de organisatie van social rating agencies en hun meetmethoden beter te begrijpen. In de academische wereld hebben onderzoekers naar MVO-investeringen erkend dat SRA's, door hun sociale beoordelingen, een stevige positie hebben als financiële tussenpersonen. Echter, er is nog onvoldoende inzicht ten aanzien van de constructie en ontwikkeling van de SRA-meetinstrumenten om sociale beoordelingen te maken.

Om de zwarte doos van hun evaluatiesysteem en wegingsfactoren te openen, is een single case study uitgevoerd. We hebben interviews uitgevoerd met de analisten, de managers, en een van de oprichters van een vooraanstaande Duits sociaal rating agency (de SRA). Mijn eerder opgedane ervaring als ESG-analist bij deze SRA gaf me toegang tot unieke interne documenten en dataset. Door middel van de beoordelingspraktijken bracht de SRA maatschappelijke bezorgdheid naar voren in de discussie binnen bedrijven en de beleggingswereld, en pleitte zo voor maatschappelijk verantwoord gedrag in het bedrijfsleven. Onze studie toont aan dat de SRA meer is dan alleen een financiële tussenpersoon tussen bedrijven en investeerders, door de pleitbezorging van de maatschappelijke belangen. Daartoe zette de SRA nieuwe lijnen van dialoog uit tussen de samenleving en bedrijven (Maatschappij – SRA's – Bedrijven en Investeerders). Deze lijnen van dialogen benadrukken hoe MVO-kwesties niet alleen een kwestie van meten zijn, maar ook een kwestie van interactie en kritische dialogen zowel binnen als buiten organisaties. We illustreren deze lijnen van dialoog in een origineel model dat laat zien hoe SRA's, door hun beoordelingspraktijken, maatschappelijke verwachtingen omzet in een taal die relevant is voor bedrijfsactoren.

Hoofdstuk 3 draait om de vraag hoe bedrijven reageren op de beoordelingen van SRA's als ze MSG-kwesties rapporteren. De externe beoordeling van MSG-prestatiefactoren, die gematerialiseerd worden in sociale beoordelingen, stimuleren interne verandering door de duurzaamheidsrapportages te beïnvloeden, en zo bedrijven te deel te laten nemen in MVO-initiatieven. De managementliteratuur focust zich over het algemeen op de effecten van sociale beoordelingen op aandeelhouderswaarde en de financiële prestaties van bedrijven, maar niet op gerapporteerde bedrijfspraktijken. Het hoofdstuk adresseert juist dat laatste door te onderzoeken op welke manier sociale beoordelingen bedrijven verantwoordelijk houdt voor hun acties door in te zoomen hoe bedrijfsrapportages over MSG-kwesties beïnvloed worden door eerdere beoordelingen en hun interactie met de SRA's. Onze kwalitatieve en kwantitatieve analyse van MVO-rapporten van 25 wereldwijd opererende telecommunicatiedienstverleners wordt aangevuld met een vergelijkbare analyse van sociale beoordelingsrapportages van dezelfde bedrijven die opgesteld door een SRA gedurende een periode van 15 jaar. De data-analyse droeg bij aan een belangrijke nieuwe onderzoekslijn in het bestuderen van maatschappelijk verantwoordelijk investeren waarbij gefocust wordt op hoe sociale beoordelingen organisatorische praktijken beïnvloeden in plaats van de link te onderzoeken tussen financiële en sociale bedrijfsprestaties. We illustreerden dit idee in een nieuw model, het 'MSG-issue attention model', en toonde aan hoe bedrijven – door aan te sluiten in een feedbackproces met de SRA – in staat waren om relevante stakeholderbelangen te identificeren en hierover te rapporteren. Daarnaast, door aandacht te geven aan veranderingen in sociale beoordelingen over MVO-kwesties of veranderingen in beoordelingsmethodologie konden bedrijven MVO-rapportages veranderen, en op die manier hun sociale bedrijfsprestaties verbeteren.

In hoofdstuk 4 presenteren we een onderzoek naar de interactie van bedrijven met social rating agencies over de externe beoordeling en evaluatie van hun MVO-praktijken en hoe deze interactie bedrijfsrapportage-activiteiten stuurt, aangezien bedrijven deze praktijken rechtvaardigen en waarderen. Tot nu is binnen de academische wereld geprobeerd om de mechanismen te identificeren die bedrijfsorganisaties ertoe dwingen om hun maatschappelijke verantwoordelijkheid te nemen aangezien bedrijven te maken hebben met meerdere stakeholders. Sommige onderzoekers zijn echter blijven benadrukken dat het nodig is om te onderzoeken hoe bedrijfsorganisaties precies de MSG-kwesties oppakken, deze begrijpen, en hier intern mee omgaan. Om deze lacune in de literatuur te adresseren, hebben we interviews gehouden met duurzaamheidsfunctionarissen om de dynamische 'bewegingen' te identificeren waarmee zij de relevantie van MSG-kwesties zowel binnen als buiten hun organisaties aan de man brengen (issue selling). We ontdekten dat bedrijven micro-processen inzetten voor het testen van waarde, onderhandelen over waarde, en compromissen te sluiten over waarde. Deze micro-processen worden ten eerste ingezet om te beslissen over welke duurzaamheidsthema's en MVO-praktijken te rapporteren, en ten tweede om overeenstemming te bereiken over de te gebruiken statistieken om hun sociale prestaties te evalueren. Hoewel de algemene doelstelling in dit proces is om onzekerheden voor het bedrijf te verminderen – wat een instrumentele doelstelling is – hebben duurzaamheidsfunctionarissen een centrale rol als actoren voor sociale verandering. Ze overbruggen de traditionele kloof tussen enerzijds een instrumentale 'waarde' wereld die afhankelijk is van een marktprijs en belichaamd is in het concept 'aandeelhouderswaarde' en anderzijds een 'waarden' systeem gebaseerd op ethische en morele overwegingen die vaak worden geassocieerd met duurzaamheid en MVO-praktijken.

In hoofdstuk 5 presenteren we de algemene discussie en conclusie. Dit promotieonderzoek draagt bij aan het MVO-onderzoeksveld, met name aan de literatuur over sociale beoordelingen. Het biedt een studie naar de relaties tussen bedrijven en de maatschappij in de context van de management van maatschappelijke kwesties, en laat zien hoe de maatschappelijke verwachtingen, die SRA's meenemen in hun beoordelingsstructuur, relevant worden in het maken van MVO-activiteiten en MVO-beleid. In de discussie wordt gepleit voor het idee dat het werk van SRA's, door middel van de sociaal beoordelingen, in staat is om verandering voort te brengen binnen organisaties. De theoretische implicaties worden bediscussieerd in een conceptueel model, de 'funnel', en laat zien dat hoe door het 'funneling proces' maatschappelijke thema's gedistilleerd kunnen worden in micro-dynamieken die verandering in organisatorische praktijken in gang zetten, tegelijkertijd de relationele eigenschappen van organisaties, objecten, en individuen benadrukkend. De praktische implicaties betreffen bedrijfsactoren, die in toenemende mate moeten omgaan met anti-kapitalisten, klimaatactivisten, en andere leden uit het maatschappelijk middenveld die openlijk hun bezorgdheid uiten over de maatschappelijke impact van bedrijfsactiviteiten. In plaats van de sociale beoordelingen van SRA's te negeren, of alleen de relevante MSG-prestatiefactoren te nemen om verantwoording af te leggen over de bedrijfsdoelstellingen en –resultaten, zouden bedrijven de sleutelrol van duurzaamheidsfunctionarissen en andere MVO-gezinde managers moeten erkennen. Verantwoordelijk zijn als bedrijf vereist een actuele en dagelijkse aandacht voor maatschappelijke bezorgdheid, met name als het gaat om MSG-kwesties die materiële schade en reputatieschade kunnen veroorzaken, en vereist daarom de overname van het motto 'Better Be Responsible' om een positieve maatschappelijke verandering teweeg te brengen.

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> *'Man is this plural and collective unity in which the unity of destination and the differences of destinies are to be understood through each other'.*
>
> *Paul Ricoeur, The faillible man, 1965*

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About the author

Brigitte Bernard-Rau was born on October 7, 1963, in Fort-de-France in the French overseas department of Martinique. After graduating with a trilingual (English/Spanish/German) 'Baccalauréat' from Lycée Baimbridge in Pointe-à-Pitre/Guadeloupe she earned a Graduate Business Degree from the Novancia Business School (formerly NEGOCIA-ACI) in Paris, majoring in International Marketing.

After several years of work in the real estate and project development business, she left her native France and moved to Spain in order to pursue further academic work. In Madrid, she earned a Master's Degree (LL.M.) in European Comparative Law from the Universidad Carlos III and re-entered the sphere of business, both in the for-profit industry (CEPSA/Condepols-Derprosa) and in the not-for-profit sector (Fundación MAPFRE).

After her employer rotated her to Brussels, as the Head of the Benelux Business Delegation, she changed jobs, joining the EU Commission as a Procurement Officer, in charge of Legal Affairs, Contracts and Finance, with a focus on external aid for Latin America. Further assignments took her to the United States and to Germany, the native country of her husband. And it was in Munich/Germany when working for the social rating agency oekom research AG (oekom) that her particular interest in ESG research and corporate social performance evaluation was awakened. In her practical work as an analyst, and based on her broad experience in business organisations, Brigitte discovered the relevance and impact of social ratings on firms' socially responsible behaviour, on corporate sustainability reporting, and the analytical and communicative interplay between firms, the investment community, and society at large.

While still at oekom, she decided to explore the corporate-stakeholder relationship, and in particular the influence of social ratings on CSR organisational practices. With her characteristic interest in combining academic analysis and 'real-world experience', she started her PhD project, attending the third edition of the part-time PhD programme RESORG

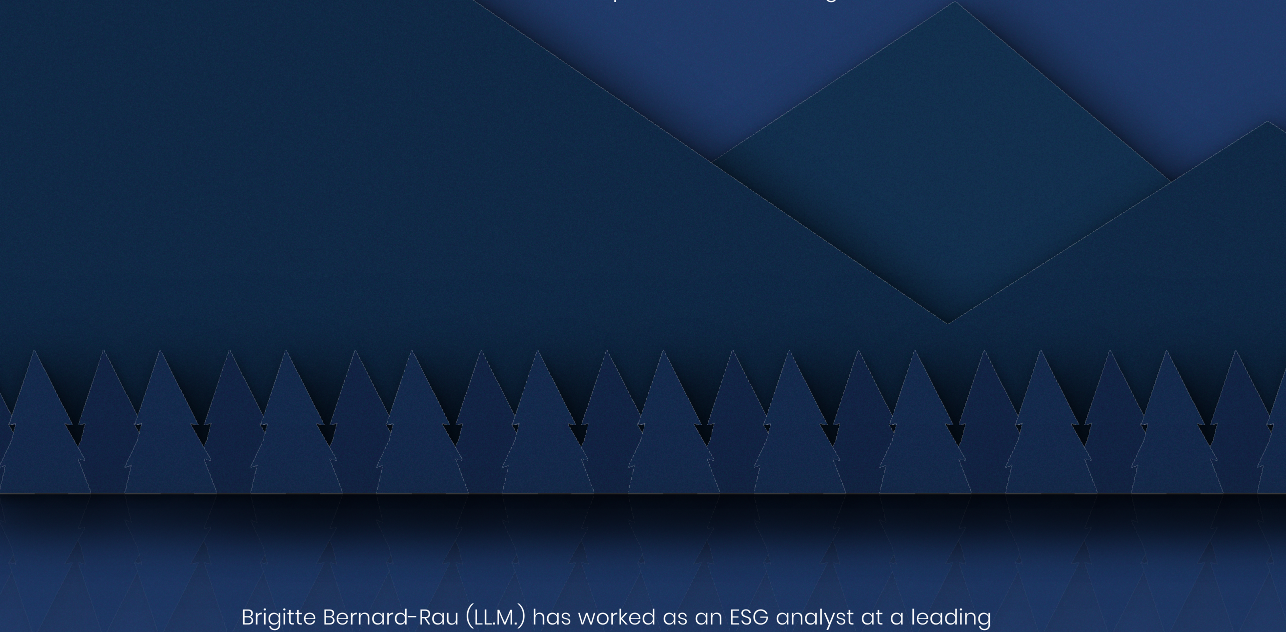
(Responsible Organisation) Nijmegen School of Management in September 2012. After having completed the pre-PhD programme at the Institute for Management Research, Radboud University, Nijmegen, and her research proposal accepted in June 2013, she moved to Amsterdam in 2014 to focus on her PhD project full time.

Brigitte has attended and participated in a number of relevant academic and professional conferences, such as the Annual Meetings of the Academy of Management (AoM) in 2013 and 2018, the European Group for Organisational Studies (EGOS) Colloquia (2014, 2017 and 2018), the Humboldt University Berlin International Conference on Corporate Sustainability and Responsibility (2012, 2014), the International CSR, Sustainability, Ethics & Governance Conference (2016, 2018), and the Triple Bottom Line (TBLI) Conference on ESG Investing and Impact Investment (2010).

In 2013, she contributed to a quality management book with a chapter on Lessons from Sustainability Leaders. In it, she develops what she calls 'The 10 Essentials of Corporate Sustainability Reporting' by looking into the CSR reports of three companies reckoned to be sustainability leaders: Unilever, Interface and Natura.

Other than her native French, Brigitte is fluent in English and Spanish and proficient in German. She can be reached at bbernardrau@yahoo.com.

The aim of my PhD thesis is to investigate how the external assessment of CSR activities, through social ratings, affects businesses and society at large. To this end, the research project undertakes a deeper analysis of the interactions between several distinct actors, and adopts a multilevel approach. Drawing on the CSR-related literature (Freeman, 1984), the issue selling literature (Dutton, Ashford, O'Neill and Lawrence, 2001), and the economies of worth framework (Boltanski and Thévenot, 2006 [1991]), I introduce the concept of "ESG issue attention" as an organisational response to social issues management. I show how the interactions between firms and social rating agencies, as well as between sustainability officers and ESG analysts, are a driving force towards organisational change. Through the use of social ratings, firms are able to integrate societal values into managerial value, and thus bring about positive social change.



Brigitte Bernard-Rau (LL.M.) has worked as an ESG analyst at a leading social rating agency. She holds a Graduate Business Degree from the business school ACI-NEGOCIA in Paris and an LL.M. in European Comparative Law from the University Carlos III de Madrid in Spain. She has more than 20 years of broad international experience in the corporate world, in the public sector and in non-profit organisations.